



making connections

2008/09 ANNUAL REPORT

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KEY HIGHLIGHTS

Disbursed \$9 million in direct funding benefits to residents and communities, close to a 70 percent increase from the previous year.

Additional staff resources were dedicated to key strategic areas and initiatives.

Created two partnerships to carry out activities from our recently completed social strategic plan.

Published a report on social, economic and environmental indicators and trends in the Basin.

Conducted evaluations of four Delivery of Benefits programs, leading to improvements and renewed financial commitments.

Ensured a steady, predictable income stream, due to long-term fixed agreements for power sales, to fund our Delivery of Benefits Program and corporate operations.

Investments within the Basin increased by \$11 million under CBT's Private Placements portfolio, exceeding our target rate of return.

Continued to evaluate the Waneta Expansion Project with great care, along with our joint venture partner, Columbia Power Corporation.

Continued to take action on climate change through our Delivery of Benefits Program and by taking steps corporately to reduce our footprint.

**This year's theme
reflects CBT's role
in bringing people,
groups, communities
and governments
together.**

Dear Minister Bennett:

Despite the challenging economic climate this year, Columbia Basin Trust (CBT) maintained solid financial results, returning increased revenues which ensured CBT could continue its efforts in strengthening the social, economic and environmental well-being of the Canadian portion of the Columbia River Basin (Basin).

In 2008/09, we increased direct funding benefits to residents and communities by nearly 70 per cent over the previous year, disbursing \$9 million. These were delivered through a range of programs and initiatives, supporting hundreds of community-based projects.

We continue to engage with residents and communities in an ongoing dialogue to understand Basin priorities, and to ensure that together we are meeting needs and being responsive to opportunities. As we continue to advance previously set strategic priorities and turn more of our efforts to implementing strategic plans and delivering tangible results, we recognize that our work must also be aligned with the values we share with the people in this region. This year, all of these efforts revealed how we are "making connections".

This theme reflects CBT's role in bringing people, groups, communities and governments together, encouraging collaboration and partnerships. CBT works with these groups in a variety of ways and helps them identify and translate their priorities into action. This thread ties the diversity of our projects and initiatives to our broad mandate, connects the people and communities of this region to a common vision and culture based on our shared history, and strengthens our ability to leave a lasting legacy in the Basin.

Delivery of Benefits

Using the income earned from our Investment Program, CBT works closely with people who live in the Basin to develop and deliver programs and initiatives that respond to their needs and support communities. Our staff play a key role in delivering on this mandate and continue to provide benefits in their capacity as liaisons to communities, collaborators and conveners, and in their role as links to resources, information, expertise and funding. This year, additional staff resources were dedicated to key strategic areas and initiatives.

Over the past year, we began implementing a three-year social strategic plan with the goal of strengthening the ability of organizations and communities to respond proactively to complex social issues and adapt to change. CBT entered into partnerships that will help non-profits and community service agencies in developing their collective and individual capacity to tackle social issues in their communities. In addition, we made progress on tackling affordable housing issues as outlined in the social strategic plan, by supporting housing projects, sharing information, and sponsoring community forums with housing experts.

In November 2008, we published a report on social, economic and environmental indicators and trends in the Basin, giving residents access to credible, local information necessary to understand what is happening in the Basin and the possible implications for our families and communities. Over the next year, CBT will be piloting projects which will use this information to support planning and learning in a way that can be shared to assist with future Basin planning.

CBT is facilitating processes around water issues and creating relationships, partnerships and networks that build a greater understanding of Basin residents' interest and values in local and regional water management issues. We have also commenced work to help residents explore issues around the Columbia River Treaty and its future.

As part of CBT's strategy to conserve and be stewards of the Basin's natural assets, we supported the efforts of the Nature Conservancy with \$500,000 for the purchase of the Darkwoods property near Creston, BC, the largest financial commitment CBT has made in a land acquisition. We also continued to support community-based environmental projects through our Environmental Initiatives Program, supporting 34 projects with \$350,000, and increasing funding this year by \$100,000.

We believe one of the greatest legacies we can leave in this region is one where youth are actively engaged in their communities, with a strong sense of our Basin culture. This spring, CBT hosted a forum connecting approximately 90 youth from around the Basin, who created social networks and action plans on how to initiate and become more engaged in projects in their own communities. We continue to work with youth to create and leverage opportunities that give young people in the Basin a voice for expressing their views, promoting their art and creativity.

In 2008/09, we exceeded our target of program evaluations by completing two within the year and concluding two others that were initiated in 2007/08, including: Training Fee Support, Basin Business Advocates, Arts, Culture and Heritage, and Environmental Initiatives Programs. In general, the evaluations showed positive response to the programs' impacts and directions and a high degree of support for them to be continued. Administrative and delivery improvements have since been implemented and CBT has renewed financial commitments to each program.

A significant long-standing challenge for CBT has been creating measures for our Delivery of Benefits Program that will help the organization, residents and the Province understand how CBT's work is tangibly strengthening the overall social, economic and environmental well-being of the Basin. Over the next year, we will be undertaking a comprehensive investigation of how we can better assess the performance of this Program.

Investments

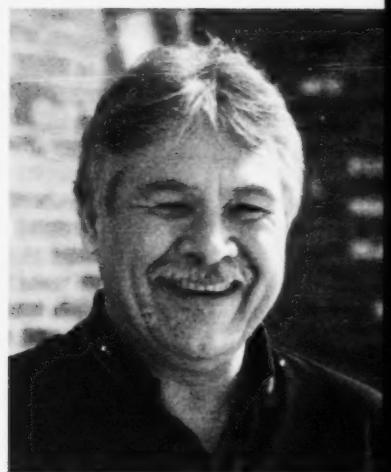
The collapse of the "sub-prime" mortgage market and its ultimate impact on the global economy left few untouched over the past year; CBT was no exception, experiencing both positive and negative impacts.

With the majority of CBT's investment portfolio made up of hydroelectric power projects, and due to the long term fixed agreements that are in place for the sale of the power, we are able to ensure a steady, predictable income stream to fund our Delivery of Benefits Program and corporate operations. Funds available for the Delivery of Benefits Program are expected to continue to grow.

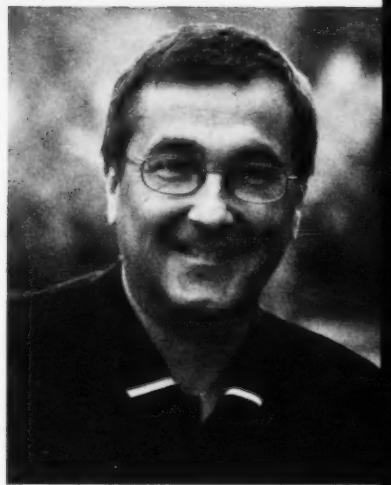
Investments within the Basin increased by \$11 million under CBT's Private Placements portfolio. Business Loans grew from \$10.7 million to \$17.3 million, while Real Estate increased from \$33.1 million to \$37.8 million. Overall, we exceeded our target rate of return of 8 per cent.

Our newest investment category, Market Securities, experienced a 15.8 per cent loss in value due to negative returns in the equity markets. Making up less than 5 per cent of the overall investment portfolio, this did not impact our Delivery of Benefits obligations.

We will continue to monitor market events and ensure they are given due consideration when making investment decisions; however, our long-term strategy remains unchanged and it is critical CBT maintain investment discipline in the face of short-term market turbulence.



Garry Merkel, Chair



Neil Muth, CEO

The single most significant investment decision facing CBT is the Waneta Expansion Project. It has the potential to deliver many benefits to the region; however, like any investment there are risks, particularly in the current economic climate. CBT, along with our joint venture partner Columbia Power Corporation, are evaluating this opportunity with great care. A decision may be made as early as this summer, with construction beginning in Fall 2009.

Corporate Operations

Over the past year, we took a number of steps to improve the management of our corporate operations, including implementation of policies related to financial management and human resources and development of a formal training and development policy. In the coming months, we will continue to build on the foundation from which to deliver benefits by developing additional frameworks and plans related to risk management, information management, strategic communications and corporate carbon neutrality. We also surpassed our performance target, with the cost of corporate operations being a much lower percentage of our overall revenues.

Carbon Neutrality

CBT continued to take action on climate change through its Delivery of Benefits Program, supporting two communities in developing adaptation and resiliency plans to deal with expected climate change impacts in the Basin. We are also supporting local regional districts in their efforts toward becoming carbon neutral in their operations by 2012. The outcomes from these initiatives will be models for communities within the Basin and across rural Canada.

In addition, as an organization CBT has taken steps to minimize our footprint. We have incorporated energy and water saving considerations into office renovations, use leading-edge video conference equipment to minimize travel between our four offices, and select Forest Stewardship Council (FSC) certified and 100 per cent recycled paper when possible. Most recently, we have hired a consultant to work with CBT to develop a Carbon Neutral Plan for the organization.

Acknowledgements

CBT's achievements are a testament to the contributions of our dedicated partners, volunteers, staff and board members who help build the connections that strengthen our communities. We would also like to thank Mike Rouse who served on our Board of Directors for five years. A valued resource with a wealth of corporate and community experience, Mike helped lead CBT through a significant evolution of the Investment Program.

Public Reporting

The 2008/09 Columbia Basin Trust Annual Report was prepared under the Board's direction in accordance with the Budget Transparency and Accountability Act and the BC Reporting Principles. The Board is accountable for the contents of the report, including what has been included and how it has been reported.

The information presented reflects the actual performance of Columbia Basin Trust for the twelve months ended March 31, 2009, in relation to our February 2008 Service Plan. The measures presented are consistent with Columbia Basin Trust's mandate, goals and strategies and focus on aspects critical to the organization's performance.

The Board is responsible for ensuring internal controls are in place to ensure performance information is measured and reported accurately and in a timely fashion.

All significant decisions, events and identified risks as of June 8, 2009 have been considered in preparing the report. The report contains estimates and interpretive information that represent the best judgement of management. Any changes in mandate direction, goals, strategies, measures or targets made since the February 2008 Service Plan was released, and any significant limitations in the reliability of data, are identified in the report.

Sincerely,



Garry Merkel
Chair



Neil Muth
CEO

ORGANIZATIONAL OVERVIEW

Our Mandate

Columbia Basin Trust (CBT) is mandated under the 1995 *Columbia Basin Trust Act* to manage its assets for the ongoing economic, environmental and social benefit of the region, without relieving governments of any obligations in the region. CBT is also mandated under the 1997 *Columbia Basin Management Plan* to include the people of the Basin in planning for the management of the assets and to work with others to coordinate activities related to the purpose of CBT.

Our Mission

CBT supports efforts by the people of the Basin to create a legacy of social, economic and environmental well-being and to achieve greater self-sufficiency for present and future generations.

LEGEND

Region Boundary

Highways

Dams

Columbia Power Corporation/
Columbia Basin Trust

National Parks
& Provincial Parks

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Our Mandate

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Our Mission

CBT supports efforts by the people of the Basin to create a legacy of social, economic and environmental well-being and to achieve greater self-sufficiency for present and future generations.

Our Vision

CBT will work towards a long-term vision for the future of the Basin, where:

- The Basin is a place where social, economic and environmental well-being is fostered.
- Collaborative relationships and partnerships are established across the Basin. Communities work together in a spirit of mutual support and respect for each other's differences. Residents identify with a Basin culture and feel a sense of belonging to a Basin community. Residents are involved in community decision-making.
- A healthy environment is the basis for social and economic activities. Residents are committed to long-term and enduring stewardship of the Basin's natural resources.
- The economy of the Basin is diverse, resilient and energized. Communities are responsive to both the needs of the present and the future. Community enhancement initiatives are widely supported and residents share responsibility for their implementation. Practical and innovative investments in the region serve to increase the range of options for present and future generations.

CBT will also be guided by a long-term vision of itself as a regional corporation, having:

- A successful portfolio of investments in the Basin which help to stimulate the regional economy and which provide a reliable stream of income for use in CBT's Delivery of Benefits Program.
- A proven track record in delivering social, economic and environmental benefits to the Basin and its residents.
- Well-established and productive working relationships with others in the Basin whose activities relate to CBT's mandate.
- Consistent and widespread public support for CBT's activities based on meaningful public input and CBT's responsiveness to the needs of the Basin and its people.

Our Core Values

Respect – CBT treats people with respect, welcoming varied perspectives and viewpoints and, honouring the history of the Basin and the origins of the organization.

Accountability – CBT is responsible for all of its actions and the results of those actions.

Transparency – CBT maintains a high level of openness, sharing meaningful and accurate information about its actions.

Engagement – CBT recognizes that active involvement in communities is critical to its overall success.

Empowerment – CBT helps others make their own choices on issues that affect their future, and see those choices in positive outcomes.

Stewardship – CBT manages all of its assets responsibly to ensure both present and future generations of Basin residents benefit from those assets.

Our Core Functions

CBT was created on behalf of the area most affected by the Columbia River Treaty, with two core functions:

1. Invest capital and manage the assets of CBT, and
2. Spend the income earned from CBT's investments to deliver benefits to the Columbia Basin.

Upon creation, CBT received an endowment from the Province of BC representing a portion of the financial benefits stemming from the Columbia River Treaty. CBT manages these investments through its Investment Program which provides funding for its Delivery of Benefits activities. Through these activities, community programs and initiatives are supported, fostering quality of life and addressing critical issues in the Basin.



INVESTING IN THE BASIN



CBT's Statement of Investment Policies and Procedures provides the necessary guidance to generate a predictable, sustainable and appreciating income stream.

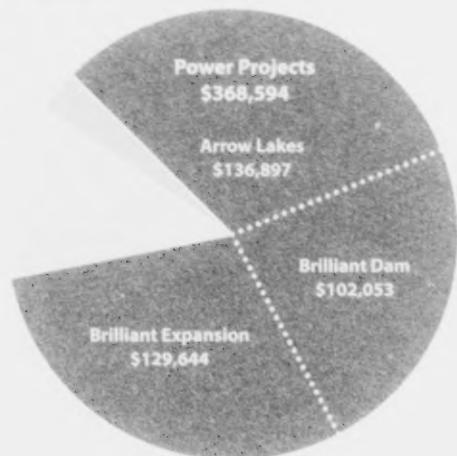
[@ www.cbt.org/sipp](http://www.cbt.org/sipp)

Market Securities
\$12,451

Private Placements
\$55,030

CBT'S INVESTMENTS

(in thousands)



Power Projects

The most significant portion of the Province's endowment in CBT was \$276 million for investment in regional hydroelectric projects. The

Province invested an equal amount in Columbia Power Corporation (CPC), CBT's joint venture partner in power project development.

Brilliant Dam

In 1996 the joint venture partners purchased the Brilliant Dam, located eight kilometers from Castlegar, BC, on the Kootenay River. The facility was purchased from Teck Resources (formerly Cominco) for \$130 million, and the joint venture invested a further \$100 million to extend the life of the facility as well as increase generating capacity. The Brilliant Dam generates enough power to supply 100,000 homes. The amount of the energy is sold to FortisBC under the term of a 20-year contract.

Arrow Lakes Generating Station

In 2002 construction was completed on the Arrow Lakes Generating Station, a run-of-river turbine, which adds 300 more customers from the existing Highwoodside Dam on the Arrow Lakes reservoir in Castlegar, BC. The \$300-million power plant is one of a set that will also be spilled at the Highwoodside Dam and was completed on time and within budget. The Arrow Lakes Generating Station produces enough electricity to supply 75,000 homes. All power is sold to BC Hydro.

Brilliant Expansion

In 2007 construction was completed on Brilliant Expansion, located on the east bank of the Kootenay River downstream from the Brilliant Dam near Castlegar, BC. The \$215-million project utilizes water that would otherwise be spilled at the Brilliant Dam and generates enough power to supply 55,000 homes. Approximately 90 percent of the electricity is sold to BC Hydro and the remaining 10 percent is sold on the open energy market.

Waučel Expansion Project

When the joint venture partners acquired the Brilliant Dam, they also acquired the rights to construct a new facility, Expansion, downstream from Teck's Waučel Dam, outside Castlegar, BC. The project is currently in the advanced stages of feasibility studies and should the expansion prove viable, construction could begin as early as Fall 2009.

INVESTING IN THE BASIN



CBT's Statement of Investment Policies and Procedures provides the necessary guidance to generate a predictable, sustainable and appreciating income stream.

@ www.cbt.org/sipp

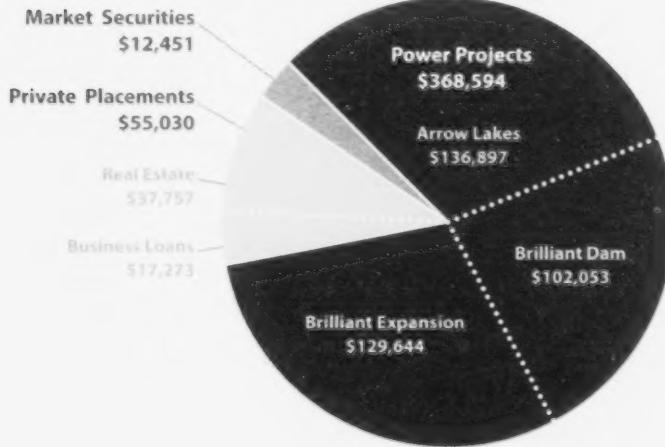
The purpose of Columbia Basin Trust (CBT)'s Investment Program is to prudently invest the endowment received from the Province of BC (Province), enabling continued delivery of long-term benefits to the Columbia Basin. CBT's Statement of Investment Policies and Procedures (SIPP) provides the necessary guidance to generate a predictable, sustainable and appreciating income stream. These financial returns are then available to fund CBT's current and future Delivery of Benefits Program and cover corporate operating expenses.

The SIPP clearly details three general categories of eligible investments that CBT will pursue:

- **Power Projects:** hydroelectric power projects located in the Basin.
- **Private Placements:** direct investments and loans to Basin-based commercial businesses.
- **Market Securities:** a diversified investment portfolio of publicly-traded financial instruments, including short-term deposits, bonds and equities.

CBT'S INVESTMENTS

(in thousands)

**Power Projects**

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Brilliant Dam

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Arrow Lakes Generating Station

In 2002 construction was completed on the Arrow Lakes Generating Station, a two-turbine facility 400 metres downstream from the existing Hugh Keenleyside Dam on the Arrow Lakes reservoir near Castlegar, BC. The \$300 million project makes use of water that would otherwise be spilled at the Hugh Keenleyside Dam and was completed on time and within budget. The Arrow Lakes Generating Station produces enough electricity to supply 75,000 homes. All power is sold to BC Hydro.

Brilliant Expansion

In 2007 construction was completed on Brilliant Expansion, located on the east bank of the Kootenay River downstream from the Brilliant Dam near Castlegar, BC. The \$245 million project utilizes water that would otherwise be spilled at the Brilliant Dam and generates enough power to supply 55,000 homes. Approximately 90 per cent of the electricity is sold to BC Hydro and the remaining 10 per cent is sold on the open energy market.

Waneta Expansion Project

When the joint venture partners acquired the Brilliant Dam, they also acquired the rights to construct a new facility (expansion) downstream from Teck's Waneta Dam, outside Trail, BC. The project is currently in the advanced stages of feasibility studies and should the expansion prove viable, construction could begin as early as Fall 2009.



MOUNTAIN SIDE VILLAGE

CBT continued to expand its investment profile in seniors' care facilities in 2008/09.

In January 2009 the doors opened for residents of the new Mountain Side Village facility in Fruitvale, BC. Mountain Side Village is a 53 suite independent living facility that offers a caring, safe and welcoming atmosphere for seniors and their families.

Similar to other facilities CBT has invested in, Mountain Side Village offers terrific amenities and services to its residents such as chef-prepared meals, social activities and entertainment, 24 hour emergency monitoring, housekeeping, transportation, fitness classes, library, games room, hair salon and computer lab.

CBT invests in seniors' care facilities because they provide positive, long-term value to CBT's investment portfolio and we realize that excellent seniors care and housing is a growing concern for Basin communities. We believe our investments can make a tangible impact for families.

@ www.cbt.org

@ www.goldenlifemanagement.ca

1.800.505.8998

Private Placements

Private Placements include all investments made in Basin-based commercial businesses. CBT may invest by way of direct ownership (equity) or business lending (loans). Private Placements are generally split into two categories:

Business Loans

CBT actively invests in Basin-based businesses by way of loans that are made in accordance with accepted market standards and generate financial returns consistent with the level of risk assumed.

Real Estate

CBT has an ownership interest in seniors' care facilities located throughout the Basin. Collectively, CBT has invested in eight properties containing 770 living suites that offer a range of support services depending on the needs of the residents.

CBT believes managing investment risks is equally as important as generating returns; therefore, observes the principles of commercial market due diligence when investigating investment opportunities.

Market Securities

In July 2008, CBT expanded its investment portfolio to include Market Securities. This category includes a range of investments such as short-term deposits, bonds and equities. The portfolio is managed by British Columbia Investment Management Corporation on behalf of CBT.

DELIVERING BENEFITS TO THE BASIN

Using the income earned from our Investment Program, Delivery of Benefits activities focus on engaging with communities, fostering quality of life and addressing critical issues in the Basin.

Connecting with Communities

CBT staff are located in each of the Golden, Cranbrook, Nakusp and Castlegar offices. Staff work directly with the communities of the Basin and connect with residents and groups in a variety of ways to strengthen the overall well-being of the Basin, by:

ORGANIZATIONAL OVERVIEW

CBT resources

- Financial
- Information
- Initiatives
- Partnerships
- Programs
- Staff

Investments

- Market Securities
- Power Projects
- Private Placements

Community

- Arts, Culture & Heritage Program
- Community Development Program
- Community Initiatives and Affected Areas Programs
- Endowments to Community Foundations
- Scholarships
- Sponsorship Program
- State of the Basin Initiative

Social

- Affordable Housing
- Literacy
- Non-profit Partnerships

- developing and maintaining relationships;
- bringing people together around key issues;
- serving as resources when taking action on issues;
- encouraging collaboration and partnerships; and
- providing access to expertise and funding.

CBT also shares knowledge and provides access to locally-relevant information to support community understanding and action. By connecting communities with best practices, accurate and current data and regional trends, CBT helps to raise awareness about the changing environment in which Basin residents work and live and prepares communities for responding to change.

Programs and Initiatives

CBT develops, implements and manages a range of programs and initiatives that respond to the needs of communities and fulfill CBT's mandate. By focusing on local priorities and issues, CBT is delivering social, economic and environmental benefits to the residents of the Basin and creating a legacy for present and future generations.

Some of the critical issues currently addressed by CBT's programs and initiatives to foster quality of life in the Basin include:

- improving environmental conditions in the Basin;
- identifying social and economic priority issues and implementing mechanisms to address them;
- improving Basin residents understanding and involvement in water issues; and
- ensuring youth in the Basin are actively engaged in addressing social, economic and environmental issues.

In developing and delivering programs and initiatives, CBT works closely with Basin residents and partners with existing groups in the Basin with similar goals and complimentary strengths. By partnering with and supporting local organizations, everyone achieves greater results.

@ www.cbt.org/programs

@ www.cbt.org/initiatives



making connections

COMMUNITY LIAISONS

CBT exists to strengthen the well-being of the Columbia Basin, and works with the communities of the region to accomplish this. Not all communities are the same, so CBT plays a variety of roles in the region.

Whether at a town meeting, or an arts council, or a social planning network, or over coffee in the kitchen, CBT is interested in meeting and working with the many communities that make up the Columbia Basin.

Four CBT community liaisons work out of each of the Golden, Cranbrook, Nakusp and Castlegar offices. These Community Liaisons are responsible for developing relationships in their home base community and the surrounding area. They help communities access funds, and serve as resources when communities are working through issues and taking action.

@ www.cbt.org 1.800.505.8998



Photo from left: Community Liaisons - Lynda Lafleur, Katherine Hamilton, Wayne Lundeberg and Jennifer Krotz.



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CLIMATE CHANGE

Communities Adapting to Climate Change is an initiative that aims to help Basin communities increase their resiliency to climate change at the local level. It helps communities identify the range of potential impacts, assess local vulnerabilities and sensitivities, and develop adaptation strategies for addressing climate change impacts at a local level.

A peer-to-peer network has been established to foster ongoing collaboration and knowledge sharing between Basin communities. Learning is guided by a framework which captures the process and lessons learned along the way. Ongoing monitoring and reflection takes place quarterly with members via telephone, webinars or face-to-face meetings.

@ www.cbt.org/climatechange



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ADVISORY COMMITTEES

"I am excited to be a member of CBT's Social Advisory Committee. CBT's connection to Basin residents through advisory committees ensures the organization receives advice and input which guides decisions on Delivery of Benefits activities."

Jennifer Meade
Social Advisory Committee member

CBT has a long-term vision for the Basin. We want it to be a place where social, economic and environmental well-being is fostered and collaborative relationships are established across the Basin where communities work together in a spirit of mutual support and respect for each other's differences.

In order to implement and develop programs and initiatives that respond to community needs, CBT connects with residents who volunteer their time on three core Advisory Committees in our mandated areas of social, economic and environment.

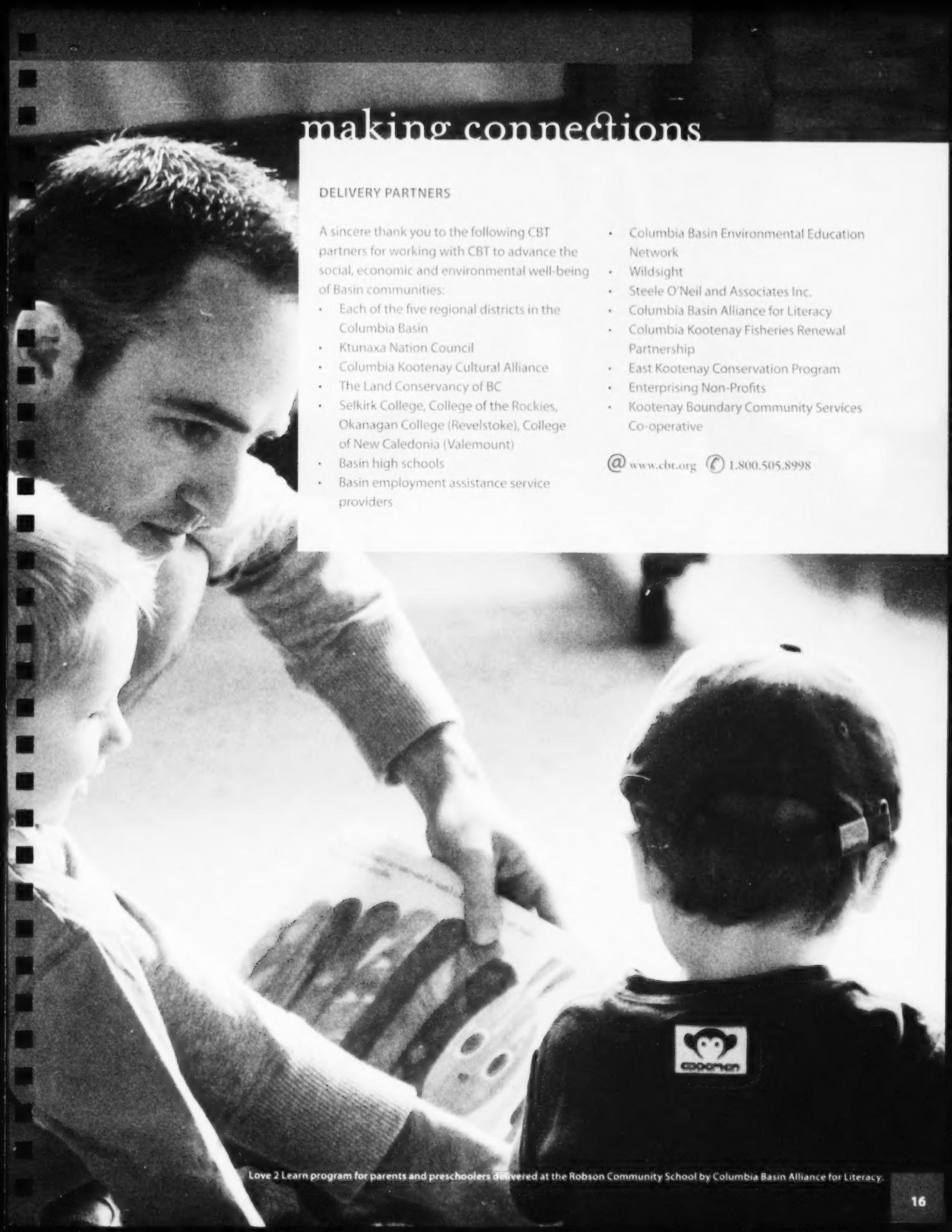
These Committees connect residents' input into CBT's Delivery of Benefits decision-making process, providing advice to CBT on a range of issues including:

- Issues and priorities for CBT;
- Goals and objectives for addressing identified issues and priorities;
- Strategies and activities for achieving goals and objectives; and,
- Other areas as may be periodically requested.

CBT also has Water and Youth Advisory Committees that provide advice and guidance in their respective areas.

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making connections

DELIVERY PARTNERS

A sincere thank you to the following CBT partners for working with CBT to advance the social, economic and environmental well-being of Basin communities:

- Each of the five regional districts in the Columbia Basin
- Ktunaxa Nation Council
- Columbia Kootenay Cultural Alliance
- The Land Conservancy of BC
- Selkirk College, College of the Rockies, Okanagan College (Revelstoke), College of New Caledonia (Valemount)
- Basin high schools
- Basin employment assistance service providers

- Columbia Basin Environmental Education Network
- Wildsight
- Steele O'Neil and Associates Inc.
- Columbia Basin Alliance for Literacy
- Columbia Kootenay Fisheries Renewal Partnership
- East Kootenay Conservation Program
- Enterprising Non-Profits
- Kootenay Boundary Community Services Co-operative

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ORGANIZATIONAL OVERVIEW



CRAWFORD BAY SCHOOL - CONNECTING A COMMUNITY

For the past five years the communities of Boswell, Gray Creek, Pilot Bay, Crawford Bay, Kootenay Bay and Riondell have fundraised and campaigned to have a new school and multi-use facility built in Crawford Bay.

Leona Keraiff along with a group of individuals from each of the six communities formed the East Shore Community Facilities Committee and set their goal to not only building a new school, but also create a neighbourhood hub that would fill a void in the area's infrastructure and speak to the residents' needs.

"It's a once-in-a-lifetime opportunity to receive funding for a new school in the community, and when the opportunity came around we wanted to take full advantage of it. We knew we wanted to make it much more than a school and envisioned something the whole community could share, participate in and use," explained Keraiff.

The group organized community forums, held fundraising drives, and with the help and support of local families and businesses, corporate donations, in-kind contributions from contractors and suppliers, and local organizations, raised \$870,000. The group also received \$12.7 million from the Province of BC.

The facility now houses kindergarten to Grade 12, a childcare and family resource centre, and a two-storey fitness and multi-purpose centre for which Columbia Basin Trust provided \$200,000. The school is also the first in the Province to meet a gold level in LEED standards for environmental stewardship.

BOARD OF DIRECTORS

Garry Merkel, Chair
Greg Deck, Vice Chair
Mike Rouse¹
Mike Berg

Denise Birdstone
Evelyn Cutts
Ron Miles
Jim Miller

Jeannette Townsend
Bill Trewella
Loni Parker
Paul Peterson

GOVERNANCE

Governance is the set of principles and processes that direct and control Columbia Basin Trust (CBT), including:

- the relationship between CBT's Board of Directors, management, residents and the shareholder - the Province of BC (Province);
- the division of responsibilities between the Board of Directors, management, residents and the Province; and
- the execution of responsibilities related to CBT.

In order to carry out its mission on behalf of Basin residents and remain an accountable organization, CBT follows sound governance principles and processes. The Board of Directors is committed to effective and responsible governance.

CBT's 12 member Board consists of six local government nominees and six provincial government nominees. The five regional districts and the Ktunaxa Nation Council each nominate one Director and the Province, in cooperation with the CBT Board, nominates the other six Directors. Final appointments are made by the Lieutenant-Governor through an order-in-council. All 12 Directors must be residents of the Basin.

In governing CBT, the Board of Directors upholds CBT's core values and acts in accordance with the following principles:

Preparation

Directors will ensure they are fully prepared to address the business of CBT.

Transparency

To the greatest extent possible, the actions and decisions of CBT, including those of the Board of Directors, will be transparent and open to Basin residents.



Participation and Commitment

Directors will ensure they participate fully as Directors and are capable of meeting their commitments to CBT.

Service

The Board of Directors will act in the best interests of CBT, which serves the Basin region as a whole.

CBT's governance practices are generally in compliance with the Board Resourcing and Development Office's Board governance disclosure requirements as listed in the Best Practice Guidelines – Governance and Disclosure Guidelines for Governing Boards of BC Public Sector Organizations.

@ www.cbt.org/governance

@ www.lcs.gov.bc.ca/brdo/governance/corporateguidelines.pdf

Senior Management

Neil Muth, President and Chief Executive Officer

Wally Penner, Vice President, Community Partnerships

Johnny Strilaeff, Vice President, Investments

Christine Lloyd, Director, Finance and Operations

Delphi Hoodicoff, Director, Communications

Kindy Gosal, Director, Environment and Water

Sabrina Curtis, Director, Planning and Development

Board Committees

CBT's Board committees address issues on behalf of the Board of Directors and report back to the full board on a regular basis. Committees assess their performance against their Terms of Reference annually. The Chair of the Board of Directors sits on all committees of the Board as an ex officio member with full voting rights. Membership of the committees as of March 31, 2009, was as follows:

Executive Committee acts on behalf of the Board between meetings, ensures that appropriate governance policies and practices are developed and implemented, ensures that a human resources framework is developed and maintained, and addresses any other matters referred to it by the Board.

Membership: Garry Merkel (Chair), Denise Birdstone, Greg Deck, Jim Miller, Paul Peterson

Audit Committee assists the Board in fulfilling its financial accountability and oversight responsibilities by ensuring the accuracy and integrity of CBT's financial information and monitors systems of internal controls and oversees the internal and external audit processes.

Membership: Mike Berg (Chair), Jeannette Townsend, Ron Miles

Delivery of Benefits Committee assists the Board in fulfilling its oversight responsibilities related to the governance and management of the Delivery of Benefits Program.

Membership: Denise Birdstone (Chair), Bill Trewella, Evelyn Cutts, Loni Parker, Ron Miles

Investment Committee assists the Board in fulfilling its oversight responsibilities related to the governance and management of the Investment Program.

Membership: Jim Miller (Chair), Denise Birdstone, Greg Deck, Mike Rouse

Water Initiatives Committee assists the Board in fulfilling its oversight responsibilities related to the governance and management of the Water Initiatives Program.

Membership: Evelyn Cutts (Chair), Bill Trewella, Jeannette Townsend, Mike Berg, Paul Peterson

Boards of CBT's Subsidiaries

For commercial and legal reasons, CBT has a number of subsidiaries that hold its interests in investments. The Boards of these subsidiaries do not address policy matters. Directors for the following subsidiary boards consist of CBT senior management: Neil Muth, President & Chief Executive Officer and Johnny Strilaeff, Vice-President, Investments.

- CBT Commercial Finance Corp. holds CBT interests in Business Loans.
- CBT Real Estate Investment Corp. holds CBT interests in Real Estate.

- CBT Venture Capital Corp. is a non-operating holding company, as CBT has no active venture capital investments at this time.
- CBT Energy Inc. (CBTE) is the main CBT subsidiary related to Power Projects.
- CBT Arrow Lakes Power Development Corp. is a subsidiary of CBTE that holds its 50 per cent interest in the Arrow Lakes Power Corporation.
- CBT Brilliant Expansion Power Corp. is a subsidiary of CBTE that holds its 50 per cent interest in the Brilliant Expansion Power Corporation.
- CBT Power Corp. is a subsidiary of CBTE that holds a 50 per cent interest in the Brilliant Power Corporation. CBT Power Corporation also holds a 50 per cent interest in the Power Project Planning Joint Venture.

The Province of BC and Columbia Basin Trust
The Columbia Basin Trust Act established the Province as the shareholder of CBT. Within the provincial government, the Minister of Community and Rural Development is responsible for CBT.

The respective roles and responsibilities of the provincial government and CBT are established in numerous agreements and legislation, including the 1995 Financial Agreement and the Columbia Basin Trust Act. The Shareholder's Letter of Expectations (Letter) further defines the roles and responsibilities of the Minister of Community and Rural Development and CBT.

• @ www.cbt.org to view a copy of the Shareholder's Letter of Expectations.

A number of specific actions have been taken as a result of the most recent Letter. In response to government's climate change and carbon neutrality initiatives, CBT has begun to institute a number of business practices and building improvements to reduce its direct and indirect emissions and consumption of goods and services. CBT also delivers various programs that support climate change and carbon neutrality education and planning throughout the Basin. Over the coming year, CBT will be developing a Carbon Neutral Plan that will identify short and long-term actions.

Direction from Shareholder's Letter	CBT Alignment
Comply with the Shareholder's requirements to make the public sector carbon neutral by 2010.	Development of a corporate climate action plan will begin in 2009/10.
Work with joint venture partner, Columbia Power Corporation, to reduce duplication of management effort and costs associated with the development and operation of power projects.	CBT and CPC continue to work together on the development of the Waneta Expansion Project.
Board of Directors nominated by Regional Districts and the Ktunaxa Nation Council pursuant to the <i>Columbia Basin Trust Act</i> will report on CBT's activities to their respective nominating bodies.	CBT regularly communicates with Regional Districts and the Ktunaxa Nation Council, and annually offers to review the year's activities with these groups.
Develop a framework for evaluating and measuring the benefits of CBT's social, economic and environmental activities.	Development of a framework will commence in 2009/10.
Ensure that the management of investments and delivery of benefits to Basin residents are effective and efficient.	Management actions are ongoing.

REPORT ON PERFORMANCE

Since the 2008/09 – 2010/11 Service Plan was released in February 2008, some of Columbia Basin Trust (CBT)'s strategies and targets have been adjusted.

Major goals for the past year included:

- **Investments:** Generate a predictable, sustainable and appreciating income stream to fund Delivery of Benefits obligations and corporate operating expenses.
- **Delivery of Benefits:** Deliver benefits which serve to strengthen the social, economic and environmental well-being of the Basin, its residents and communities.
- **Corporate Operations:** Support and enable the effective management of the Investments and Delivery of Benefits Program.

INVESTMENTS

Goal

Generate a predictable, sustainable and appreciating income stream to fund Delivery of Benefits obligations and corporate operating expenses.

Strategies

1. **Communicate directly with financial partners throughout the Basin in order to originate high quality investment opportunities.**
2. **Develop strong working relationships with the management of companies in which CBT has invested in order to fully appreciate risk, as well as uncover future opportunity.**
3. **Identify and develop investment programs that target areas of quality opportunity not otherwise addressed by conventional lenders.**
4. **Remain fully engaged with management of Columbia Power Corporation (CPC) during pre-development and operating phases of our jointly held power projects.**

Highlights

The effects of the global market breakdown have been widespread and dramatic and few investors have escaped without experiencing significant losses.

Overall, CBT's investment portfolio has performed well when compared to other foundations, trusts, or endowments that are invested solely in publicly traded financial instruments. CBT currently benefits from its portfolio being heavily weighted in Power Projects. Relative certainty of future revenues is provided by the fact that the majority of the power generated is sold under long-term contracts. Funds available for CBT's Delivery of Benefits obligations continue to grow and forecasts for the near term suggest this trend will continue.

CBT will monitor market events and ensure they are given due consideration when making investment decisions. However, CBT's Statement of Investment Policies and Procedures is a long-term strategy that remains unchanged and it is critical that CBT maintain investment discipline in the face of short-term market turbulence.

CBT's exposure to the resulting changes in the investment and credit markets has presented both challenges and benefits for certain areas of its investment portfolio. CBT's Market Securities portfolio has experienced a loss in value due to negative returns in the equity markets. CBT will remain actively engaged with its external investment manager and the expectation is for modest improvement in the coming year.

The easing of monetary policy, leading to near historically low interest rates, has had a positive benefit on segments of CBT's Private Placements portfolio where money is borrowed to enhance financial returns from investments. CBT's investment in seniors' care facilities is the most notable of these assets.

Over the last year, CBT Investment Program staff have:

- Built connections in the business community;
- Continued to develop the Private Placement segment of CBT's Investment portfolio to capitalize on high quality investment opportunities;

- Developed strong working relationships with the management of companies in which CBT has invested; and
- Remained fully engaged with CPC during the pre-development of the Waneta Expansion Project, and will continue to address several key issues in the coming months.

To date there have been a number of major accomplishments relating to the Waneta Expansion Project:

- Environmental permits have been received;
- The water license has been obtained;
- Contribution agreements with First Nations Councils have been executed;
- RBC Capital Markets has been engaged to develop a feasible financing plan;
- SNC Lavallin Inc. has been selected as the initial preferred Proponent for design and construction; and
- Negotiations have been initiated for an Energy Purchase Agreement and Entitlement Agreement with BC Hydro for 100 per cent of the output from the project.

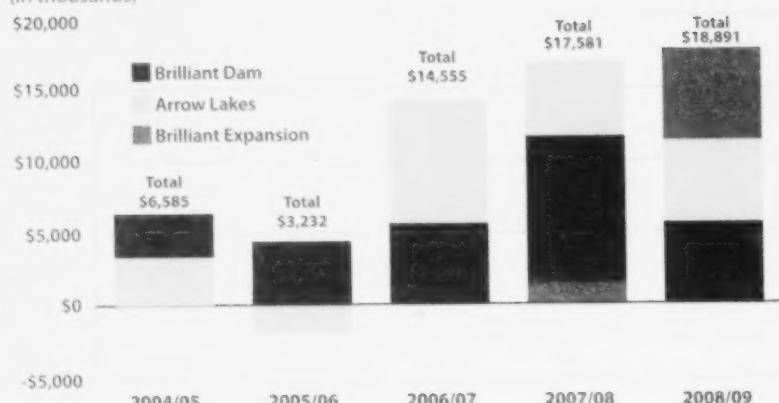
The Waneta Expansion Project is subject to final approvals of the respective boards of CBT and CPC, as well as the Province of BC. Should the project satisfy all development requirements, the earliest expected start of construction is Fall 2009.

Measures

Each of CBT's three categories of investment has a distinct risk and return profile; therefore, CBT has adopted three different performance measures to reflect these differences. These measures have been embedded in CBT's Statement of Investment Policies and Procedures since July 2007 and represent targeted returns for 2008/09 as well as future fiscal years, including 2009/10 and 2010/11.

- Power Projects – 8 per cent calculated as a Cash-Based Return on Investment.
- Private Placements – 8 per cent calculated as a Cash-Based Return on Investment.
- Market Securities – 6 per cent calculated as a Return on Investment.

POWER PROJECT REVENUE OVER FIVE YEARS
(in thousands)



CBT chose a Cash-Based Return on Investment methodology for calculating financial returns from Power Projects and Private Placements to clearly link returns from these investments to cash that would be available for Delivery of Benefits obligations and corporate operating purposes. The Return on Investment methodology applied to Market Securities is similar except this calculation includes cash returns, as well as increases or decreases in the value of the securities themselves.

In the case of Power Projects, there are a number of agreements between CBT, the Province and CPC that make it difficult to reconcile performance with that observed in the private market. A similar issue arises with Private Placements where the limiting factor is CBT's restriction to invest solely in commercial opportunities in the Basin. Despite these challenges, CBT arrived at an 8 per cent performance target for both Power Projects and Private Placements by evaluating historical performance and balancing those returns against those forecast over the next five years.

The Market Securities category does allow for easier market comparison as there are a number of public investment portfolios of comparable risk. CBT established a 6 per cent performance target based on a review of similarly constructed portfolios, combined with an assessment of historical returns observed in the general marketplace. Information in support of this objective was provided by British Columbia Investment Management Corporation.

Results

All values used in the calculation of investment returns for Power Projects and Private Placements are obtained from CBT's 2008/09 audited financial statements. Returns were calculated by Accounting staff and reviewed by Investment staff. Returns for Market Securities were calculated in accordance with Global Investment Performance Standards by British Columbia Investment Management Corporation.

Power Projects

The 6.92 per cent annual return from Power Projects is slightly higher than the 2007/08 result of 6.62 per cent, but was below the 8 per cent target. This is despite an increase in total revenue from \$17.6 million in 2007/08 to \$18.9 million in 2008/09. A three month planned outage at the Brilliant Expansion Project negatively impacted total revenue; however, this was partially offset by receipt of the first payment under the federal ecoENERGY for Renewable Power (ecoENERGY³) program. The ecoENERGY program encourages generation of new electricity from renewable energy sources. Operating expenses across the Power Projects portfolio were aligned with forecasts and assuming a full year of operation at the Brilliant Expansion project in 2009/2010, CBT anticipates future returns will meet or exceed the 8 per cent target.

Arrow Lakes Generating Station

Revenue from the Arrow Lakes Generating Station was \$4.5 million lower than 2007/08 due solely to extraordinary revenue recognized in the prior year. CBT and CPC recovered approximately \$40.3 million of \$51 million in costs incurred to repair the intake channel of the facility and the last payment under this recovery was recorded as revenue in 2007/08. Excluding this one-time item, revenue from operations of \$16.3 million was unchanged from the previous year.

Brilliant Dam

In 2008/09, the Brilliant Dam generated \$5.7 million in revenue to CBT and continues to perform to forecast. Despite being the oldest of the owned Power Projects, the \$100 million in expenditures made by CBT and CPC between

1996 and 2003 significantly extended the productive life of the asset.

Brilliant Expansion

In order to complete construction work in the tailrace area of the Brilliant Expansion, the plant was shutdown for a three month period in Fall 2008. This work was planned well in advance and the negative impact to revenue had been incorporated into financial forecasts. The work was completed on time and budget and the plant has successfully returned to normal operation.

Although the shutdown had a negative impact on revenue, this was partially offset by receipt of the first payment under the ecoENERGY program. The terms of the grant provide for a direct subsidy equal to \$10 per megawatt hour of generation subject to a 10-year maximum payment of \$17.1 million (to be shared equally between CBT and CPC). In 2008/09 CBT received \$2.4 million as the first instalment under this program.

Private Placements

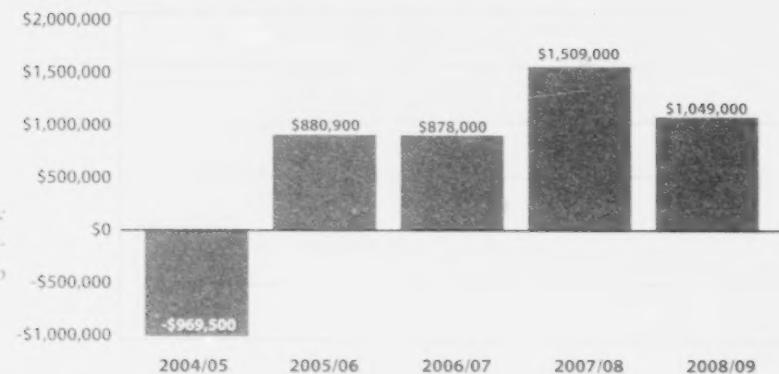
The Private Placements portfolio generated an annual return of 8.34 per cent as compared to 12.76 per cent in 2007/08. Results from the prior year included a one-time recovery of a previously recorded loan loss provision in the amount of \$650,000. Excluding this one-time item, comparable returns from 2006/07 were 9.10 per cent.

Business Loans

CBT continues to focus on growing its portfolio of Business Loans to Basin-based businesses. Outstanding balances measured at year end grew from \$10.7 million in 2007/08 to \$17.3 million in 2008/09. This level of growth will be challenging to maintain over the coming year as a \$5.6 million investment in the Kicking Horse Mountain Resort is scheduled for repayment in March 2010.

Many of CBT's Business Loans generate a return based on a floating rate of interest linked to the Canadian Prime Lending Rate plus a pre-determined spread. With Prime Rate approaching historic lows, the returns have fallen to 7.24 per cent in 2008/09.

BUSINESS LOAN REVENUE OVER FIVE YEARS



from 14.46 per cent in 2007/08. Interest rates are not expected to change significantly in the short-term and returns from the Business Loan portfolio may fall further in 2009/10.

Real Estate

CBT's portfolio of seniors' care projects continues to grow. The Mountain Side Village seniors' care facility in Fruitvale, BC was completed in Spring 2009 and includes 53 units, nine of which are dedicated solely to low income seniors. The facility is fully occupied and CBT will start realizing a financial return in 2009/10.

CBT also announced its eighth seniors' care project in Nelson, BC. Lake View Village includes 90 living suites and is located near the waterfront just north of the downtown core. The project is expected to be complete and occupied in Fall 2009 and will increase CBT's investment in seniors' care suites to a total of 770 units in eight Basin communities.

A further expansion opportunity is currently under development for Castle Wood Village in Castlegar, BC. When originally constructed in 2001, the site layout and construction plan allowed for an expansion of 33 units and CBT is in the process of finalizing development details. Construction could commence as early as June 2009.

Returns from Real Estate were 9.95 per cent in 2008/09 and this is expected to increase with the addition of Mountain Side Village, Lake View Village, and the Castle Wood Expansion in 2009/10.

Market Securities

Market Securities are the newest category of investment for CBT. The first placement of funds with British Columbia Investment Management Corporation occurred in July 2008. The portfolio consists of a diversified collection of financial instruments with approximately 40 per cent in fixed income securities and 60 per cent in equities.

Return on the portfolio for the nine month period of investment was negative at 15.8 per cent. The drop in global equity markets is largely responsible

for the decrease in the portfolio market value. Over this same time period, the Canadian TSX Index fell by 40 percent while the S&P 500 Index in the United States fell by 38 per cent. CBT's portfolio strategy is premised on the benefits of diversification and, although returns to date have been disappointing, they compare favourably to what would have otherwise been experienced had CBT invested exclusively in a single market.

Although it is difficult to predict short-term performance as long as market volatility continues, it is important to note that CBT's investment in Market Securities is long-term in nature and intended to create value over time. The amount of CBT's investment in Market Securities is currently managed such that returns (either positive or negative) will not have an impact on forecasted Delivery of Benefit expenditures.

POWER PROJECTS

Cash-Based Return on Investment

	2006/07	2007/08	2008/09
1 Year	9.52%	6.62%	6.92%
3 Year	6.18	6.36	7.68
5 Year	7.54	6.94	6.42
10 Year	-	7.43	7.26
Inception	7.52	7.43	7.38

PRIVATE PLACEMENTS

Cash-Based Return on Investment

	2006/07	2007/08	2008/09
1 Year	9.10%	12.76%	8.34%
3 Year	3.67	9.26	10.05
5 Year	-2.68	-1.65	6.36
10 Year	-	0.33	0.56
Inception	-0.96	0.33	1.03

DELIVERY OF BENEFITS

Goal

Deliver benefits which serve to strengthen the social, economic and environmental well-being of the Basin, its residents and communities.

Strategies

1. Complete strategic plans that identify priorities for work by CBT in the economic, environment and social areas, and, as appropriate, implement programs and initiatives to address priorities.
2. Improve Basin residents understanding and involvement in water issues.
3. Work with youth in the Basin to ensure that they are actively engaged in addressing economic, social and environmental issues in the Basin.
4. Improve support to communities and organizations by increasing local presence throughout the Basin.
5. Have vibrant advisory committees in place.

Highlights

In 2008/09, CBT disbursed \$9 million in direct funding benefits to Basin communities. This was achieved by assuming various roles within the region and supporting a range of existing and new programs and initiatives.

Over the course of the year, CBT undertook a number of key activities to fulfill its mandate:

- completed social and environmental strategic planning and shifted toward implementing those plans through new initiatives and partnerships;
- continued to develop an economic strategic plan;
- placed a large focus on climate change adaptation and mitigation projects and strategies to reduce water consumption in the Basin;
- hosted a forum to help Basin youth identify

needs in their communities and plan for action around their visions; and

- placed continued value on advisory committees to advise CBT on a range of issues.

CBT strives to be an effective member of Basin communities through its staff that are dedicated to directly assisting communities. CBT staff work to provide meaningful information and access to expertise, facilitate collaboration and convene groups around key issues, and act as a resource for project development and access to funding. Additional staff resources have been dedicated in key strategic areas and initiatives. These staff continually measure their progress against specific objectives and work plans and report accordingly to CBT's Board of Directors.

Despite the recent financial market volatility and economic uncertainty, CBT's overall financial resources continue to increase, generating



additional resources for Delivery of Benefits activities. CBT must also ensure the organizational capacity is in place to distribute these increasing financial returns. With local presence throughout the Basin, CBT will continually look for ways to play a significant role in proactively identifying and pursuing opportunities to fundamentally strengthen the social, economic and environmental well-being of the Basin.

Significant progress has been made on developing a model to monitor and report on social, economic and environmental indicators and trends in the Basin. This will serve as a resource for keeping CBT and residents informed about key factors affecting the current state of the region. Strategic priorities previously set by CBT continue to be refined and staffing levels are monitored on an ongoing basis to ensure CBT is in a position to capitalize on existing and emerging priorities.

Measures

A significant long-standing challenge for CBT has been creating measures for its Delivery of Benefits Program that will help the organization, residents and the Province understand how CBT's work is tangibly strengthening the overall social, economic and environmental well-being of the Basin. Over the next year, CBT will be undertaking a comprehensive investigation of how it can better assess and compare the performance in Delivery of Benefits. This undertaking will attempt to create measures that will allow CBT to track progress in achieving its strategies, provide meaningful information about the success of its programs and initiatives, and improve accountability both within and outside of the organization. The project will also research the potential for CBT to benchmark its performance against other organizations, recognizing the uniqueness of CBT and the difficulties in

Photo: A small tarn in the middle of Monica Meadows accessible by a hiking trail north of Kootenay Lake, east of the Duncan Reservoir, near Kaslo, BC.

comparing performance to the accomplishments of more narrowly focused organizations.

While measures and benchmarks are being explored, CBT continues to assess the impacts and performance of Delivery of Benefits activities by evaluating programs and initiatives. As part of its annual planning, CBT chooses how many and which programs to evaluate based on resource capacity and funding cycles. In managing how the work is conducted, CBT hires external consultants and encourages a range of data collection and stakeholder engagement strategies be used. Results generated assist management and the Board of Directors to understand the influence of CBT's programs on the region, identify opportunities to improve program delivery, and guide future program directions.

The 2008/09 performance target for Delivery of Benefits was to evaluate at least one program.

Results

CBT exceeded its target by completing two evaluations of long-running programs within the year: the Basin Business Advocates Program and the Environmental Initiatives Program. The Basin Business Advocates Program builds economic

capacity by offering counselling and assessment services to existing small and medium-sized Basin businesses. The Environmental Initiatives Program provides support to community projects that aim to reduce the impacts humans have on local and regional ecosystems. 2008/09 also saw the conclusion of two program evaluations that were initiated late in 2007/08: CBT's support of arts, culture and heritage activities and for the Training Fee Support Program which promotes access to education and training.

In general, the evaluation results showed the directions of each program to have a positive impact on the Basin and indicated a high degree of public support for them to be continued. Administrative and delivery improvements have since been implemented and CBT has renewed financial commitments to each program.

CBT also ensures effective ongoing management and monitoring of Delivery of Benefits Program. CBT maintains relationships with a variety of delivery partners responsible for administering programs. Where multi-year contracts are in place to provide greater program consistency and delivery partner stability, CBT reviews these contracts annually to ensure any program risks are appropriately addressed.

DELIVERY OF BENEFITS PROGRAM EVALUATIONS

2006/07 Result	One program evaluation commenced	Development of a prototype indicator report on the social, economic and environmental state of the Columbia Basin continued
2007/08 Result	Community Initiatives Program evaluated, two other program evaluations commenced	Increased funding and three-year commitment to Community Initiatives Program; Training Fee Support Program and Arts, Culture & Heritage evaluations continued
2008/09 Result	Basin Business Advocates and Environmental Initiatives Programs evaluated, two previously initiated evaluations concluded	Recommendations help CBT assess the impact and performance of its programs; administrative and delivery improvements implemented and renewed financial commitments to each program
2008/09 Target	At least one program evaluated	
2009/10 Target	At least one program evaluated	
2010/11 Target	At least one program evaluated	

CORPORATE OPERATIONS

Goal

Support and enable the effective management of the Investments and Delivery of Benefits Program.

Strategies

1. Ensure appropriate staffing levels are in place throughout the organization.
2. Complete implementation of new financial management policies.
3. Complete implementation of a new human resources framework.
4. Develop a formal training and development policy.

Highlights

Through its corporate operations, CBT aims to enable the effective management of the Investment and Delivery of Benefits Programs to best meet the needs of Basin communities. Corporate operations include CBT management, accounting, administration, information technology, communications and human resources. The Province is providing \$2 million per year for CBT's operating costs until 2010/11.

Over the past year, CBT took a number of steps to improve the management of its corporate operations, including:

- hiring program managers that are dedicated in strategic areas;
- implementing financial management and human resources policies; and
- creating a formal training and development policy.

With significant ongoing attention to the above strategies, CBT will now continue to build on the foundation from which to deliver benefits by conducting reviews and developing frameworks and plans related to risk management, information management, strategic communications and corporate carbon neutrality.

Measures

CBT currently measures its corporate performance via corporate operations (net of recoveries) as a percentage of revenues. Over the next year, CBT will undertake to investigate performance measures and comparative benchmarks that can provide a more meaningful indication of the effectiveness of CBT's corporate operations.

CBT prepares forecasts of its revenues and corporate operations costs quarterly and is able to report out on its actual performance after fiscal year-end once the external audit is complete. CBT forecasts are affected by information provided by Columbia Power Corporation relating to the Power Projects. CPC is the manager of the Power Projects, and therefore provides the financial forecasts to CBT.

Results

In 2008/09 CBT's actual percentage of 17 per cent surpassed its original target of 24 per cent, set in February 2008, as well as the updated forecast of 21 per cent released in February 2009. This decline is a result of total revenues from investments being higher than forecasted and the cost of corporate operations being lower than forecasted.

CORPORATE OPERATIONS (NET OF RECOVERIES) as a percentage of revenues

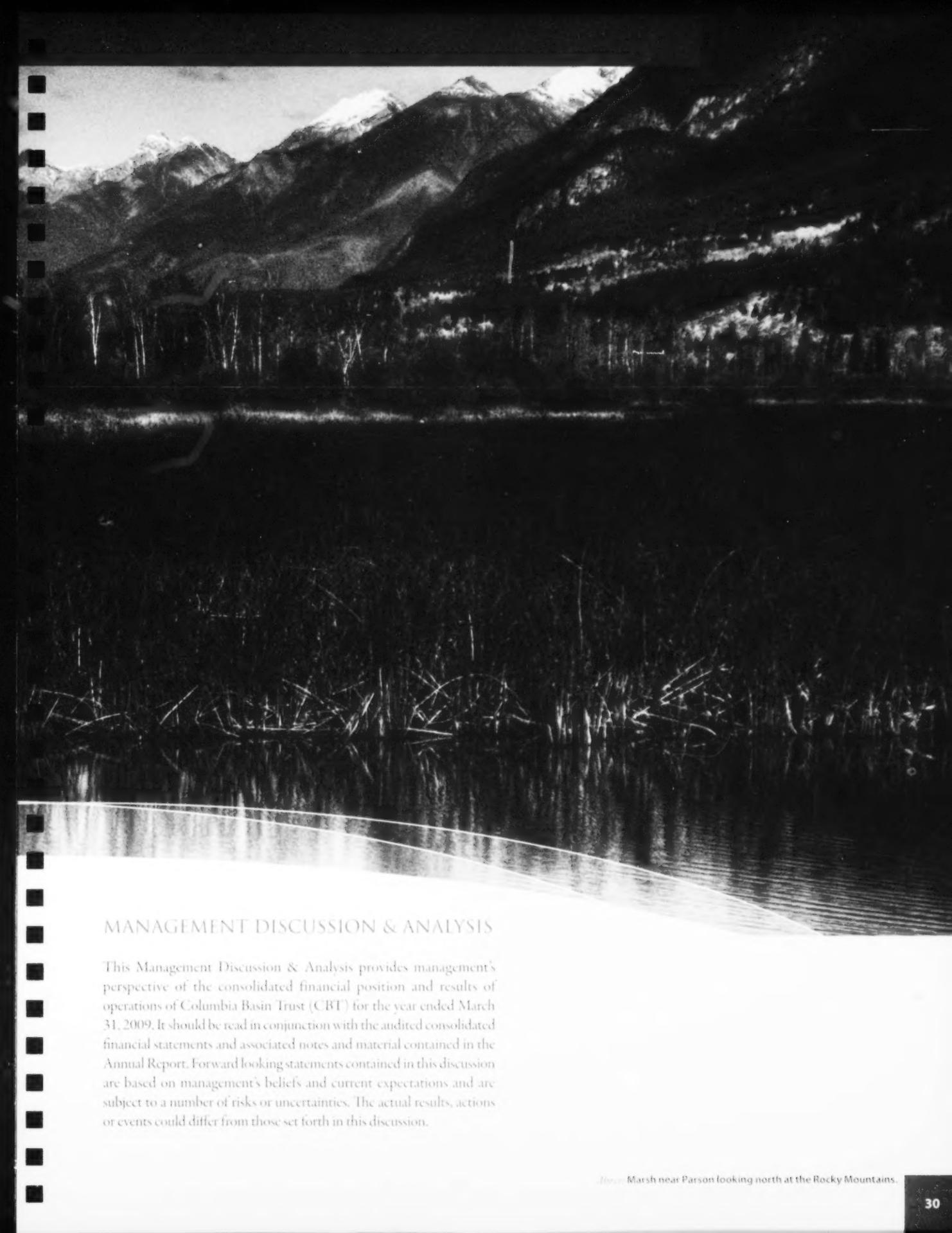
Results	%
2006/07	21
2007/08	16
2008/09	17

Targets	%
2008/09	24
2009/10 ²	19
2010/11 ²	17

² The targets for 2009/10 and 2010/11 have been adjusted since the release of the February 2008 Service Plan to reflect up-to-date financial forecasts.

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MANAGEMENT DISCUSSION & ANALYSIS

This Management Discussion & Analysis provides management's perspective of the consolidated financial position and results of operations of Columbia Basin Trust (CBT) for the year ended March 31, 2009. It should be read in conjunction with the audited consolidated financial statements and associated notes and material contained in the Annual Report. Forward looking statements contained in this discussion are based on management's beliefs and current expectations and are subject to a number of risks or uncertainties. The actual results, actions or events could differ from those set forth in this discussion.

BUSINESS OVERVIEW

CBT was established by the *Columbia Basin Trust Act* in 1995. CBT has two core functions:

1. Invest capital and manage the assets of CBT; and
2. Spend the income earned from CBT's investments to deliver benefits to the Columbia Basin.

CBT invests in three major categories:

- **Power Projects:** hydroelectric power projects located in the Basin.
- **Private Placements:** direct investments and loans to Basin-based commercial businesses.
- **Market Securities:** a diversified investment portfolio of publicly-traded financial instruments, including short-term deposits, bonds and equities.

Using the income earned from the Investment Program, CBT's Delivery of Benefits activities focus on fostering quality of life and addressing critical issues in the Basin.

RESULTS OF OPERATIONS

The summary financial information is prepared on a consolidated basis. CBT has a number of subsidiaries which are holding companies that retain power and non-power investments. The summary financial information is not provided on a subsidiary level, as revenues are reported by major category of investment and the subsidiaries are simply holding companies for those categories of investment. All revenues are reported on a gross basis with the exception of joint venture revenues, which are net of joint venture expenses.

CBT experienced strong financial performance in 2008/09. Total revenues increased to \$24.1 million from \$23.4 million. The increase is primarily attributed to an increase in Power Project revenues. Operating expenses have increased by 9.5 per cent which is primarily due to an increase in staff remuneration and development.

RESULTS OF OPERATIONS
(in thousands)

	2008/09	2007/08	Amount	Variance
				%
Revenues				
Power Projects	\$18,891	\$17,581	\$1,310	7.5%
Private Placements	1,478	1,840	(362)	(19.7)%
Income Securities	1,540	1,872	(332)	(17.7)%
Market Securities	208	-	208	-
Contributions from the Province of BC	2,000	2,089	(89)	(4.3)%
	24,117	23,382	735	3.1%
Operating Expenses				
Staff remuneration and development	3,129	2,752	377	13.7%
General operating expenses	1,802	1,752	50	2.9%
	4,931	4,504	427	9.5%
Recoveries				
	804	713	91	12.8%
Income Before Other Items				
	19,990	19,591	399	2.0%
Unrealized Loss on Market Securities				
	2,758	-	2,758	-
Delivery of Benefits				
	8,976	5,350	3,626	67.8%
Excess of Revenues over Expenses				
	\$8,256	\$14,241	(\$5,985)	(42.0)%

Power Projects

Power Project revenues are comprised of net income received from three hydroelectric power projects in which CBT is a fifty-fifty joint venture partner with Columbia Power Corporation (CPC). Total Power Project income increased by 7.5 per cent in 2008/09.

Brilliant Dam

Brilliant Dam net income increased slightly to \$5.7 million this year from \$5.5 million in the previous year. The increase is a result of reduced interest expense recorded in the year due to decreasing long-term debt.

Brilliant Expansion

A substantially full year of operations at Brilliant Expansion resulted in increased generation for 2008/09. This, coupled with a payment under the federal ecoENERGY program, resulted in net income rising to \$6.9 million this year from \$1.4 million in the previous year. The ecoENERGY portion of revenues totalled \$2.4 million. CBT and

CPC are now eligible for annual grants that will be earned at the rate of \$10 per megawatt hour based on sales of eligible energy generated by Brilliant Expansion. This program has the potential of providing CBT up to \$2.4 million per year in grant revenues for the next nine years.

Arrow Lakes Generating Station

Net income received from the Arrow Lakes Generating Station decreased by \$4.5 million in 2007/08 to \$6.4 million in 2008/09. This decrease is due to a one-time recovery of channel repair costs recorded in 2007/08 in the amount of \$4.3 million. Power sales revenue remained relatively unchanged from the previous year.

POWER PROJECTS NET INCOME (in thousands)

	2008/09	2007/08	Amount	Variance
				%
Brilliant Dam				
Revenues	\$18,611	\$18,782	\$(-171)	(0.9)%
Expenses	12,947	13,233	(286)	(2.2)%
Net Income	5,664	5,549	115	2.1%
Brilliant Expansion				
Revenues	12,220	4,389	7,831	178.4%
Expenses	5,343	3,006	2,337	77.7%
Net Income	6,877	1,383	5,494	397.3%
Arrow Lakes Generating Station				
Revenues	16,324	20,712	(4,388)	(21.2)%
Expenses	9,963	9,880	83	0.8%
Net Income	6,361	10,832	(4,471)	(41.3)%
Other	(11)	(183)	172	(94.0)%
	\$18,891	\$17,581	\$1,310	7.5%

MANAGEMENT DISCUSSION & ANALYSIS

PRIVATE PLACEMENTS (in thousands)

	Variance			
	2008/09	2007/08	Amount	%
Real Estate	\$429	\$330	\$99	30.0%
Business Loans	1,049	1,510	(461)	(30.5)%
	\$1,478	\$1,840	\$(362)	(19.7)%

Private Placements

Private Placements include all revenues received from investments made within the Basin, including Real Estate and Business Loans.

Real Estate

The Real Estate investments include CBT's ownership interest in seniors' care facilities located in eight Basin communities. Net income received from real estate investments grew to \$429,000 in 2008/09 from \$330,000 in 2007/08. This increase is due to additional revenue being received from expansions on completed projects in Creston and Fernie, BC, and the first full year of operations recorded at Garden View Village located in Kimberley, BC.

Business Loans

Revenues from Business Loans decreased to \$1 million this year from \$1.5 million in 2007/08. This reduction is primarily due to a one time recovery of \$650,000 for business loans recorded in 2007/08.

INCOME SECURITIES (in thousands)

	Variance			
	2008/09	2007/08	Amount	%
Income Securities	\$1,540	\$1,872	\$(332)	(17.7)%

Income Securities

Income securities revenues consist of interest revenue received from a portfolio of short-term deposits held at financial institutions within the Basin. Revenues decreased this year due to falling interest rates and decreasing balances as cash was transferred to Market Securities, Delivery of Benefits commitments or corporate operating expenses.

MARKET SECURITIES (in thousands)

	Variance			
	2008/09	2007/08	Amount	%
Market Securities	\$208	-	\$208	-
Unrealized Loss on Market Securities	2,758	-	2,758	-

Market Securities

In July 2008, CBT invested \$15 million into a diversified securities portfolio of investments which includes short-term deposits, bonds and equities. This portfolio is managed by British Columbia Investment Management Corporation. Dividends

and interest and realized and unrealized gains or losses are recorded in net earnings in the period they arise. In 2008/09 CBT realized \$208,000 of revenues from its Market Securities portfolio. CBT also recorded an unrealized loss on market value of its Market Securities of \$2.8 million.

Operating Expenses

Staff remuneration and development continues to be the primary operating expense for CBT increasing to \$3.1 million this year from \$2.8 million last year. As of March 31, 2009, CBT employees increased to 38.5 full-time equivalents from 34.5 in the previous year. Although staff salaries are reported as a corporate expense for financial reporting purposes, in many cases they represent another form of delivered benefit since many staff are available as a resource that directly support communities.

A nominal increase of \$50,000 in general operating expense was experienced in 2008/09.

Recoveries

Recoveries are received from CPC for information technology services and rental income. Recoveries are also received from CBT's power project joint venture companies for management services. These recoveries are expected to stay constant over the next three years.

Delivery Of Benefits

CBT continues to fulfill its mandate of delivering social, economic and environmental benefits to the region. Disbursements increased this year by \$3.6 million to \$9 million through a range of programs and initiatives. CBT accounts for its Delivery of Benefits disbursements on a cash basis for financial reporting purposes. In addition to disbursing \$9 million this year, CBT has an additional \$2.2 million in outstanding financial commitments through the Delivery of Benefits Program at March 31, 2009. These commitments have been approved and have either not yet been disbursed, or are linked to actual project completion with a portion of funds held back until CBT is satisfied that projects are complete.

RETURN ON INVESTMENTS

Power Projects

CBT has calculated a Return on Investment of 6.92 per cent on the Power Projects portfolio, which was below our 8 per cent performance target. A planned outage at Brilliant Expansion to repair the tailrace negatively impacted total revenues while the receipt of a payment under the federal ecoENERGY program positively affected revenues. Operating expenses experienced no significant variance from budget.

Private Placements

CBT calculated a Return on Investment of 8.34 per cent which exceeded our 8 per cent performance target. This portfolio consists of investments in both Real Estate and Business Loans. The return from Business Loans totalled 7.24 per cent while the returns from Real Estate totalled 9.95 per cent. As no significant changes in interest rates are expected in the short term, returns from Business Loans may fall further in 2009/10.

Market Securities

This externally managed portfolio of investments experienced a negative return of 15.8 per cent in 2009/10. Overall negative performance of the global equity markets is largely responsible for this decrease.

LIQUIDITY & CAPITAL RESOURCES

Dividends

This year, CBT received \$18.6 million in dividends from its joint venture Power Projects and \$1 million in distributions from its joint venture Real Estate projects. These monies are placed in Income or Market Securities until required for regional investment opportunities, Delivery of Benefits obligations, or corporate operating expenses.

Capital Expenditures

CBT classifies capital expenditures according to key projects and investments. The figures in the table represent CBT's share.

	CAPITAL EXPENDITURES (in thousands)	Actual
	2008/09	
Arrow Lakes Power Corporation	\$37	
Brilliant Expansion Power Corporation	8,754	
Power Project Planning - Waneta	4,531	
Brilliant Power Corporation	1,459	
Real Estate Investments	5,682	
CBT Corporate Assets	661	
	\$21,124	

Capital expenditures related to Power Projects totalled \$14.8 million. The major component of the capital expenditures was the tailrace work for the Brilliant Expansion. Pre-development work for the Waneta Expansion Project continued in 2008/09 and capital expenditures were below budget at \$4.5 million.

Real Estate investments consisted of the construction of two new seniors' care facilities located in Fruitvale and Nelson, BC. Two expansions were also completed this year to Crest View Village in Creston, BC and Mountain Fern Village in Fernie, BC.

CBT corporate assets consist of the Castlegar building, leasehold improvements, office furniture and equipment and information technology equipment. In 2008/09, a major completion of the third floor of the Castlegar building was undertaken. CBT also moved the location of the office in Golden and completed leasehold improvements.

CHANGES IN ACCOUNTING POLICIES

CBT prepares its financial statements in accordance with Canadian generally accepted accounting principles (GAAP) and adopts new standards issued by Canadian Institute of Chartered Accountants (CICA). In 2008/09, CBT adopted new accounting standards issued by CICA and are also reviewing new accounting pronouncements. These changes and pronouncements are detailed under Notes 2 and 3 in the consolidated financial statements included in this Annual Report.

MAJOR FACTORS, RISKS & OPPORTUNITIES

Delivery of Benefits

A review of CBT's Information Management System (IMS) commenced in 2008/09. The IMS is the information technology software that supports Delivery of Benefits Program in budget control and administration, contract management, and reporting. The objective of the review is to understand and address any risk areas and to improve the interface to provide users with an efficient data entry system. The first stage of the project is substantially complete with improved controls, processes and layouts and the creation of new reporting templates that will provide relevant and timely information for internal and external reporting purposes. This review will continue in 2009/10.

Over the course of the year, CBT completed strategic planning in both the social and environmental program areas. The three to four year strategic plans will be used to guide CBT activities and prioritize resources. Similar strategic planning will continue for the economic area of CBT's mandate. To serve as a resource for keeping informed about key factors affecting the current state of the region, CBT has made significant progress on developing a model to monitor and report on social, economic and environmental indicators and trends in the Basin.

CBT has increased staffing in two areas of the Delivery of Benefits Program that align with identified strategic priorities by hiring Environment and Water Program Managers. Staff continue to be a critical resource to residents and communities in the Basin. By working directly with residents, groups and delivery partners to identify and pursue opportunities, staff are helping to empower communities and build the necessary skills and knowledge to secure a stronger future.

Investments

Power Projects

In 2008/09, close to 80 per cent of CBT revenues were from Power Project investments. Any event

that may negatively affect the operations of CBT's investment in Power Projects can result in substantial decreases to revenues, which could affect CBT's Delivery of Benefits obligations. However, the revenues that CBT receives from Power Projects investments are not subject to significant fluctuations as the power produced is primarily sold under long-term contracts in Canadian dollars.

Private Placements

In 2008/09, CBT continued to focus on expanding its portfolio of Business Loans to Basin-based businesses, growing from \$10.7 million to \$17.3 million. In Real Estate, a new seniors' care facility in Fruitvale, BC was substantially completed in Spring 2009. This facility includes 53 units of seniors' housing and is fully occupied. CBT also began construction of Lake View Village, its eighth seniors' care facility located in Nelson, BC. This facility will include 90 living suites and is expected to be complete and occupied in Fall 2009.

Corporate

Climate Change Disclosure

On January 1, 2008, the *Greenhouse Gas Reduction Targets Act* (GGRTA) came into effect. GGRTA requires the public sector to become carbon neutral by 2010 and to make a public report available annually that details actions taken towards carbon neutrality. CBT is required to report on its emissions level, the actions taken to reduce these levels, and its plans for continuing to minimize emissions. The first priority will be to reduce emissions and the second to offset the remainder.

In 2008/09, CBT acquired a further understanding of new requirements and commitments under GGRTA. A Carbon Neutral Action Report was submitted in April 2009, providing disclosure on actions taken in 2008 and planned future actions for 2009. CBT's focus in 2009/10 will be to develop a Carbon Neutral Plan which will include short and long-term actions. CBT is currently assessing the financial impact of implementing new GGRTA requirements.

COMPARISON TO SERVICE PLAN
(in thousands)

	Actual	Service Plan	Variance	Three Year Forecasts					
				2008/09	2008/09	Amount	2009/10	2010/11	2011/12
Revenues									
Power Projects	\$18,891	\$13,922	\$4,969	\$19,010	\$23,818	\$24,755			
Private Placements	1,478	1,622	(144)	1,739	1,680	1,806			
Income Securities	1,540	1,800	(260)	1,280	1,280	1,280			
Market Securities	208	-	208	1,070	1,430	1,810			
Contributions from the Province of BC	2,000	2,000	-	2,000	2,000	-			
	24,117	19,344	4,773	25,099	30,208	29,651			
Operating Expenses									
Staff remuneration and development	3,129	3,255	(126)	3,539	3,670	3,825			
General operating expenses	1,802	2,062	(260)	2,243	2,300	2,370			
	4,931	5,317	(386)	5,782	5,970	6,195			
Recoveries	804	652	152	918	910	910			
Income Before Other Items	19,990	14,679	5,311	20,235	25,148	24,366			
Unrealized Loss On Market Securities	2,758	-	2,758	-	-	-			
Delivery Of Benefits	8,976	10,000	(1,024)	12,000	12,000	15,000			
Excess Of Revenues Over Expenses	\$8,256	\$4,679	\$3,577	\$8,235	\$13,148	\$9,366			
Total Debt	\$147,828	\$175,555	(\$27,727)	\$153,704	\$143,663	\$132,947			
Net Assets	\$375,987	\$362,467	\$13,520	\$381,752	\$394,900	\$404,266			
Capital Expenditures	\$21,124	\$14,116	\$7,008	\$12,578	\$3,393	\$3,253			
Full-Time Equivalents	38.5	37.5	1	38	39	40			

**COMPARISON
TO SERVICE PLAN**

CBT provides a service plan each year to the British Columbia Legislature under the *Budget Transparency and Accountability Act*. The Service Plan outlines CBT's goals, objectives and key strategies, along with the results it expects to achieve for the following three-year period. Private Placements and Income Securities revenues were previously recorded as Investment Income. Comparative figures have been reclassified. Significant variances from the Service Plan are detailed above.

Revenues

Higher than anticipated power sales, the receipt of \$2.4 million payment under the ecoENERGY program, and a one time gain of \$1.1 million on US dollar exchange pushed Power Project revenues \$5.0 million higher than forecast in the 2008/09 Service Plan. Market Securities are a new investment and therefore were not part of the 2008/09 Service Plan. Income Securities revenues were lower than forecast due to a decrease in interest rates and to lower than anticipated balances, as cash was transferred to Market Securities or for the payment of Delivery of Benefit commitments.

Unrealized Loss on Market Securities

Due to financial market fluctuations, CBT's Market Securities portfolio has declined in market value. CBT is accounting for these financial instruments as a held-for-trading asset and therefore any re-evaluation of gains and losses related to changes in fair market value are recorded in net earnings in the period they arise.

Delivery of Benefits

In addition to disbursing \$9 million in 2008/09, CBT has an additional \$2.2 million in outstanding financial commitments for the Delivery of Benefits Program at March 31, 2009. These commitments have been approved and have either not yet been disbursed, or are linked to actual project completion with a portion of funds held back until CBT is satisfied that projects are complete.

Capital Expenditures

Variances in capital expenditures occurred in three main areas: \$8 million for tailrace repair on Brilliant Expansion, \$1.3 million for Real Estate investments, offset by pre-development costs for Waneta Expansion Project being lower than anticipated in 2008/09.

FIVE YEAR REVIEW

FIVE YEAR REVIEW
(in thousands)

	2004/05	2005/06	2006/07	2007/08	2008/09
Revenues					
Power Projects	\$6,585	\$3,456	\$14,555	\$17,581	\$18,891
Private Placements	1,185	1,005	1,224	1,840	1,478
Income Securities	467	563	1,498	1,872	1,540
Market Securities	-	-	-	-	208
Contributions from the Province of BC	2,000	12,110	1,996	2,089	2,000
	10,237	17,134	19,273	23,382	24,117
Operating expenses					
Staff salary and remuneration	2,445	2,787	2,491	2,752	3,129
General operating expenses	2,167	2,535	1,891	1,752	1,802
	4,612	5,322	4,382	4,504	4,931
Recoveries	647	692	453	713	804
Income Before Other Items	6,272	12,504	15,344	19,591	19,990
Unrealized Loss on Market Securities	-	-	-	-	2,758
Investment write-downs	3,778	-	-	-	-
Delivery of Benefits	4,276	4,156	5,256	5,350	8,976
Excess (deficit) of revenues over expenses	\$(1,782)	\$8,348	\$10,088	\$14,241	\$8,256

FUTURE OUTLOOK

While the challenging economic climate directly impacted the value of CBT's investment in Market Securities, CBT's overall financial situation remains strong. Over the next three years, CBT is expecting overall revenues to continue to increase combined with moderate increases in operating expenses. Modest increases in staffing levels are expected over the next three years.

Revenues

Revenues from power sales are forecast to increase over the next three years as all three power projects are expected to operate at full capacity. Fluctuations in revenues are minimized as most power sales are under long term contracts and are noted in Canadian dollars. The receipt of payments under the ecoENERGY program are also expected to remain constant as Brilliant Expansion expects to produce adequate power to generate the maximum eligible grants. This program has the potential of

providing CBT up to \$2.4 million per year in grant revenues for the next nine years.

Overall, Private Placement revenues are expected to have moderate growth over the next three years. As new seniors' care facilities become operational, the returns from Real Estate are expected to increase. Fluctuating interest rates and changes in the economic environment will continue to have a direct effect on Business Loans.

Fluctuating interest rates have a direct impact on returns from Income Securities. A 1 per cent change in interest rates would have a \$330,000 impact on revenue given the current level of investment. The investments in Market Securities are long-term in nature and intended to create value over time. The amount of CBT's investment in Market Securities is currently managed such that returns (either positive or negative) will not have an impact on the forecasted Delivery of Benefits Program commitments.

Under the Financing Agreement between the Province and CBT, \$32 million in operating grants were payable to CBT in annual instalments of \$2 million until 2010. The final instalment is due April 1, 2010. CBT is self-sustaining as an organization and expects to meet its financial commitments and obligations when the operating grants expire.

Delivery of Benefits

CBT committed \$12 million to Delivery of Benefits in 2009/10. CBT is forecasting commitments of \$12 million in 2010/11 and an increase to \$15 million in 2011/12.

Over the next year, CBT will be undertaking a comprehensive project that will explore how to better assess and compare performance in Delivery of Benefits. Both quantitative and qualitative measures will be considered as ways of allowing CBT to track its progress in achieving its strategies. This will provide meaningful information about the success of its programs and initiatives and improve accountability both within and outside of the organization.

CBT will be looking to initiate the renewal of its organization-wide strategic plan over the coming year. This plan will guide CBT's work in the region over a three-year period and will assist in directing staff and financial resources. The renewal process will involve reflecting on progress toward current priorities and engaging partners and residents in conversations about the current state of affairs and opportunities that lie ahead. Public review and input will help to shape the priorities that will be addressed by the resulting strategic plan.

Waneta Expansion

A number of accomplishments were achieved this year and the Waneta Expansion Project is now in the advanced stages of pre-development. RBC Capital Markets was engaged to assist in developing a feasible financing plan. SNC Lavalin Inc. has been selected as the initial preferred Proponent for design and construction.

A critical component to the project is finalizing an Energy Purchase Agreement and Entitlement

Agreement with BC Hydro for 100 per cent of the output from the project. These negotiations are ongoing and the outcome impacts the feasibility of the project.

The final decision on the project is subject to the approvals of the Board of Directors of CBT and CPC, as well as the Province. The earliest expected start of construction is Fall 2009.

CBT was receiving payments from the Province while developing its first two power projects (Arrow Lakes Generating Station and Brilliant Expansion) as part of the original \$276 million endowment. Those funds have been fully spent; therefore, in order to finance the Waneta Expansion Project, CBT/CPC will need to borrow 100 per cent of the funds required to complete development of the project.

International Financial Reporting Standards (IFRS)

In February 2008, Canadian Institute of Chartered Accountants (CICA) Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS in place of Canadian GAAP for interim and annual financial reporting in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year. The Public Sector Accounting Board is currently deliberating the definition of 'publicly accountable enterprise' as it applies to government entities, including CBT and its subsidiaries. At this time the final outcome of these deliberations is not known and therefore the need for CBT and its subsidiaries to adopt IFRS has not been firmly established.

Risk Management Framework

Like all organizations, CBT faces a number of risks that could impact its performance and its ability to achieve particular objectives. In order to better manage these risks, CBT needs to develop and implement an organization-wide risk management framework. Some preliminary work in the regard has been carried out, which CBT will further over the next two years.

CONSOLIDATED FINANCIAL STATEMENTS

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RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation of the accompanying consolidated financial statements and all of the information contained in the Annual Report. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include amounts that are based on estimates and judgements. Management believes that the financial statements fairly present CBT's consolidated financial position and results of operations. The integrity of the information presented in the financial statements, including estimates and judgements relating to matters not concluded by fiscal year end, is the responsibility of management. The financial statements have been approved by CBT's Board of Directors.

Management has established and maintained appropriate systems of internal control which are designed to provide reasonable assurance that CBT's assets are safeguarded and that reliable financial records are maintained to form a proper basis for preparation of financial statements. These systems include formal written policies and appropriate delegation of authority and segregation of responsibilities within the organization.

The independent external auditors, Yule Anderson, Chartered Accountants, have been appointed by CBT's Board of Directors, to express an opinion as to whether the consolidated financial statements present fairly, in all material respects, CBT's financial position, results of operations, changes in net assets and cash flows in conformity with Canadian generally accepted accounting principles. The Auditor's report follows and outlines the scope of their examination and their opinion on the consolidated financial statements.

The Board of Directors, through the Audit Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Audit Committee, comprised of directors who are not employees, meets regularly with the external auditors and management to satisfy itself that each group has properly discharged its responsibility to review the financial statements before recommending approval by the Board of Directors. The external auditors have full and open access to the Audit Committee, with and without the presence of management.



Neil Muth
President & Chief Executive Officer



Christine Lloyd
Director, Finance & Operations

AUDITOR'S REPORT

AUDITOR'S REPORT

To the Directors of Columbia Basin Trust:

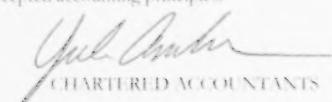
To the Minister of Community and Rural Development:

We have audited the consolidated statement of financial position of Columbia Basin Trust as at March 31, 2009 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Columbia Basin Trust as at March 31, 2009 and the results of its operations, changes in its net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Castlegar, BC
May 29, 2009


CHARTERED ACCOUNTANTS

CONSOLIDATED FINANCIAL STATEMENTS

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2009
(in thousands of dollars)

	2009	2008		
	(as restated)			
ASSETS				
CURRENT				
Cash (Note 5)	\$ 14,812	\$ 22,670		
Recoverable channel repair costs	-	6,450		
Unbilled power project revenue	5,117	4,713		
Accrued interest and other assets	5,980	6,730		
	<u>25,909</u>	<u>40,563</u>		
INVESTMENTS				
Power projects (Note 6)	368,594	367,510		
Private placements (Note 7)	55,030	43,802		
Income securities (Note 8)	36,463	45,383		
Market securities (Note 9)	12,451	-		
	<u>472,538</u>	<u>456,695</u>		
OTHER				
Property, plant & equipment (Note 10)	2,873	2,549		
Deferred amounts (Note 11)	29,239	24,708		
	<u>32,112</u>	<u>27,257</u>		
	<u>\$ 530,559</u>	<u>\$ 524,515</u>		
LIABILITIES AND NET ASSETS				
CURRENT				
Accounts payable and accrued liabilities	\$ 4,020	\$ 13,000		
Accrued interest expense	2,724	2,867		
Current portion of long-term debt (Note 12)	22,331	12,671		
	<u>29,075</u>	<u>28,538</u>		
LONG-TERM DEBT				
Long-term debt (Note 12)	<u>125,497</u>	<u>128,246</u>		
NET ASSETS				
Power projects (Restricted) (Note 17)	277,331	276,968		
Unrestricted	98,656	90,763		
	<u>375,987</u>	<u>367,731</u>		
	<u>\$ 530,559</u>	<u>\$ 524,515</u>		
COMMITMENTS (Notes 15 and 19)				
CONTINGENCIES (Note 16)				

Approved on behalf of the Board of Directors:


Garry Merkel
Chair


Mike Berg
Chair, Audit Committee

The accompanying notes are an integral part of this consolidated statement.

COLUMBIA BASIN TRUST
 CONSOLIDATED STATEMENT OF OPERATIONS
 FOR THE YEAR ENDING MARCH 31, 2009
 (in thousands of dollars)

	2009	2008
		(as restated)
REVENUES		
Power projects (Note 6)	\$ 18,891	\$ 17,581
Private placements (Note 13)	1,478	1,840
Income securities	1,540	1,872
Market securities (Note 9)	208	-
Contributions from the Province of BC	<u>2,000</u>	<u>2,089</u>
	<u>24,117</u>	<u>23,382</u>
OPERATING EXPENSES		
Amortization	337	295
Board and committee expenses	195	198
Corporate travel and meetings	209	207
Communications	306	339
Information technology/systems	116	58
Office and general	471	435
Professional and consultants fees	168	220
Staff remuneration and development	<u>3,129</u>	<u>2,752</u>
	4,931	4,504
RECOVERIES		
Recovery from Columbia Power Corporation (Note 18(a))	522	493
Recovery of management services (Note 18(b))	<u>282</u>	<u>220</u>
	<u>804</u>	<u>713</u>
INCOME BEFORE OTHER ITEMS		
	19,990	19,591
UNREALIZED LOSS ON MARKET SECURITIES (Note 9)		
DELIVERY OF BENEFITS (Note 19)	<u>2,758</u>	<u>5,350</u>
	<u>8,976</u>	<u>5,350</u>
EXCESS OF REVENUES OVER EXPENSES		
	<u>\$ 8,256</u>	<u>\$ 14,241</u>

The accompanying notes are an integral part of this consolidated statement.

CONSOLIDATED FINANCIAL STATEMENTS

COLUMBIA BASIN TRUST
 CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
 FOR THE YEAR ENDING MARCH 31, 2009
 (in thousands of dollars)

	Power Projects (Restricted)	Unrestricted	2009	2008
NET ASSETS, as previously reported	\$ 276,968	\$ 90,558	\$ 367,526	\$ 353,490
Prior period adjustment (Note 22)	—	205	205	—
REVISED NET ASSETS, beginning of year	276,963	90,763	367,731	353,490
Additional power project cash available for distribution	363	(363)	—	—
Excess of revenues over expenses	—	8,256	8,256	14,241
NET ASSETS, end of year	<u>\$ 277,331</u>	<u>\$ 98,656</u>	<u>\$ 375,087</u>	<u>\$ 367,731</u>

The accompanying notes are an integral part of this consolidated statement.

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING MARCH 31, 2009
 (in thousands of dollars)

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from power project joint ventures	\$ 47,155	\$ 43,883
Cash paid for power project joint ventures operating expenses	(21,253)	(26,709)
Cash received from private placements	3,958	3,423
Cash paid for private placements operating expenses	(1,404)	(538)
Cash received from income securities	1,709	1,704
Cash received from market securities	208	
Cash received from the Province of BC	2,000	2,089
Cash paid for operating expenses	(3,249)	(4,417)
Cash paid for Delivery of Benefits disbursements	(8,976)	(5,350)
	<u>20,148</u>	<u>14,085</u>
CASH FLOWS APPLIED TO INVESTING ACTIVITIES		
Investment in power projects	(10,157)	(5,956)
(Investment in) repayment of business loans	(6,615)	550
Investment in real estate projects	(6,842)	(4,990)
Purchase of income and market securities	(6,287)	(7,316)
Purchase of property, plant & equipment	(661)	(229)
Investment in deferred power project costs	(3,999)	(2,276)
	<u>(34,561)</u>	<u>(20,217)</u>
CASH FLOWS FROM/APPLIED TO FINANCING ACTIVITIES		
Proceeds from placement of debt	13,127	11,484
Repayment of debt	(6,572)	(5,998)
	<u>6,555</u>	<u>5,486</u>
DECREASE IN CASH		
	(7,858)	(646)
CASH, beginning of year	<u>22,670</u>	<u>23,316</u>
CASH, end of year	<u>\$ 14,812</u>	<u>\$ 22,670</u>

The accompanying notes are an integral part of this consolidated statement.

CONSOLIDATED FINANCIAL STATEMENTS

COLUMBIA BASIN TRUST NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING MARCH 31, 2009 (in thousands of dollars)

1. COLUMBIA BASIN TRUST

Columbia Basin Trust (CBT) is a corporation established by the *Columbia Basin Trust Act*. The purpose of CBT is to manage its assets for the ongoing economic, social and environmental well being of the Columbia Basin region. The sole share of CBT is held by the Minister of Finance on behalf of the Province.

The Province initially provided CBT with \$276 million that is restricted to investments in power projects, \$45 million in unrestricted endowment capital and \$32 million in operating grants payable in annual instalments of \$2 million until 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

CBT is a not-for-profit organization as defined by Canadian generally accepted accounting principles and accordingly follows the accounting standards applicable to such organizations.

(b) Consolidation

The accounts of CBT and its subsidiaries are consolidated in these financial statements. Intercompany balances and transactions have been eliminated. The interest of CBT's investment in joint ventures is consolidated by CBT on a proportionate basis. Under the proportionate consolidation method, CBT records, on a line-by-line basis within its consolidated financial statements and notes, its proportionate share of the joint ventures' assets, liabilities, revenues, expenses and cash flows.

(c) Capitalization and Amortization

Property, plant & equipment is recorded at cost and is amortized on a straight-line basis over its expected useful life. Amortization begins when an asset is placed into service. The expected useful lives, in years, are as follows:

	Years
<u>Power projects</u>	
Arrow Lakes Generating Station	5 – 80
Brilliant Dam	30 – 80
Brilliant Expansion	40 – 80
<u>Real estate investments</u>	
Buildings and improvements	30
<u>CBT office</u>	
Building	30
Office furniture and equipment	5
Leaschold improvements	4 – 10
Computer equipment and software	3

(d) Real Estate Investments

Investments in real estate are carried at cost net of accumulated amortization.

(e) Deferred Amounts

Costs incurred in determining the feasibility of acquiring investments are deferred. When a project's acquisition or development is complete, the deferred costs form part of the capital cost of the project. If a project is abandoned, the related deferred costs are charged to operations in the period of abandonment. The appropriateness of deferring a project's costs is considered annually. When a project's costs exceed those likely to be recovered, the excess costs are charged to operations.

(f) Deferred Debt Issue Costs

Expenditures incurred in issuing long-term debt are recorded with their associated long-term debt and amortized using the effective interest rate method.

(g) Revenue Recognition

CBT follows the deferral method of accounting for contributions. Endowment contributions are recognized as direct increases in net assets.

(h) Taxes

CBT is exempt from income taxes under paragraph 149(1) (d) of the *Income Tax Act*. CBT is also exempt from Federal large corporations tax under subsection 181.1(3) of the *Income Tax Act*.

(i) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(j) Asset Retirement Obligations

Some of CBT's assets may have asset retirement obligations. As CBT expects to use the majority of its assets for an indefinite period, no removal date can be determined and as a result, a reasonable estimate of the fair value of any asset retirement obligations cannot be made at this time.

(k) Financial Instruments

CBT has designated its financial instruments as follows:

Held-for-trading

Cash, income securities, and market securities are classified as held-for-trading. These financial assets are measured at fair value with changes in fair value recognized in income.

Loans and receivables

Investments in business loans are classified as loans and receivables. These financial assets are recorded at amortized cost net of any allowance for loan losses. The fair values of these loans do not differ significantly from their carrying values.

Other liabilities

Accounts payable and accrued liabilities, current portion of long-term debt, and long-term debt are classified as other liabilities. These financial liabilities are recorded at values that approximate their amortized cost using the effective interest method.

(i) Change in accounting policies

Effective April 1, 2008, CBT adopted the following new accounting standards issued by the CICA:

Section 3862 - Financial Instruments Disclosure and *Section 3863 - Financial Instruments Presentation* which requires disclosure to assist users of the financial statements to evaluate the nature and extent of risks from financial instruments to which CBT is exposed. This disclosure is outlined in Note 20 of these financial statements.

Section 1535 - Capital Disclosure which requires disclosure of information related to the objectives, policies and processes for managing capital, and particularly whether externally imposed capital requirements have been complied with. This additional disclosure is outlined in Note 21 of these financial statements.

3. FUTURE ACCOUNTING POLICY CHANGES

Goodwill and intangible assets

On April 1, 2009, CBT will be adopting the new *Section 3064, Goodwill and Intangible Assets*. The new standard provides guidance on intangible assets, particularly for internally developed intangible assets. CBT is currently assessing the impact of implementing this new standard.

International Financial Reporting Standards (IFRS)

In February 2008, the Accounting Standards Board (AcSB) confirmed that publicly accountable enterprises will be required to adopt IFRS in place of Canadian generally accepted accounting principles (GAAP) for interim and annual financial reporting in fiscal years beginning on or after January 1, 2011. The Public Sector Accounting Board (PSAB) is currently deliberating the definition of publicly accountable enterprise as it applies to government entities including CBT and its subsidiaries. The outcome of these deliberations is not known and therefore the need for CBT and its subsidiaries to adopt IFRS has not been determined. Given the considerable effort required for the adoption of IFRS, CBT has commenced an IFRS conversion project. An external advisor has been engaged to perform a detailed review of major differences between Canadian GAAP and IFRS to provide analysis on the impact of IFRS on CBT's consolidated financial statements. Management and the Chair of CBT's Audit Committee have participated in detailed IFRS training seminars and conversion is in the early stages. As a result, the impact of IFRS on CBT's future financial position and results of operations is not reasonably determinable.

4. JOINT VENTURES

CBT participates in joint ventures with other parties and accounts for its interests using the proportionate consolidation method. The following amounts represent CBT's proportionate share of the assets, liabilities, revenues, expenses and cash flows of these joint ventures:

	March 31, 2009	March 31, 2008
Assets		
Current	\$ 19,705	\$ 28,819
Investments	412,904	406,644
Other	<u>29,239</u>	<u>24,708</u>
	<u>\$ 461,848</u>	<u>\$ 460,171</u>
Liabilities		
Current	\$ 28,968	\$ 27,267
Long-term debt	125,498	128,246
Net Assets		
Power and non-power project investments	<u>307,382</u>	<u>304,658</u>
	<u>\$ 461,848</u>	<u>\$ 460,171</u>
Net Income		
Revenues	\$ 50,290	\$ 46,356
Operating expenses	(21,412)	(19,010)
Finance charges	<u>(9,545)</u>	<u>(9,623)</u>
	<u>\$ 19,333</u>	<u>\$ 17,723</u>
Cash Flows		
Operating activities	\$ 27,437	\$ 18,684
Investing activities	(20,998)	(14,041)
Financing activities	<u>6,556</u>	<u>5,869</u>
	<u>\$ 12,995</u>	<u>\$ 10,512</u>

5. CASH

	March 31, 2009	March 31, 2008
Restricted Cash	\$ 319	\$ 4,126
Non Restricted Cash	<u>14,493</u>	<u>18,544</u>
	<u>\$ 14,812</u>	<u>\$ 22,670</u>

The restricted portion of cash is for the payment of construction liabilities or is held in a contingency fund for real estate investments.

6. POWER PROJECTS

CBT participates in power projects through joint ventures with Columbia Power Corporation (CPC), a Crown Corporation. CBT's interest in power projects is as follows:

	March 31, 2009	March 31, 2008
Brilliant Dam	\$ 102,053	\$ 103,046
Arrow Lakes Generating Station	136,897	141,096
Brilliant Expansion	<u>129,644</u>	<u>123,368</u>
	<u>\$ 368,594</u>	<u>\$ 367,510</u>

CONSOLIDATED FINANCIAL STATEMENTS

The Brilliant Dam is a 145 MW powerplant located on the Kootenay River near Castlegar, BC. The Arrow Lakes Generating Station is a 185 MW powerplant constructed 400 meters downstream of the BC Hydro Hugh Keenleyside Dam near Castlegar, BC. The project also consists of a 48 km 230 kv transmission line that extends from the powerplant to the BC Hydro substation at Selkirk. CBT and CPC acquired the rights to develop and operate a new hydroelectric power facility, a portion of which was allocated to the existing Brilliant Dam in connection with upgrades. The expansion rights have been fully exercised with the completion of the Brilliant Expansion in 2007. The Brilliant Expansion is a 120 MW power generation development located near the existing Brilliant Dam. Amortization of the expansion rights commenced with commercial operations.

POWER PROJECT ASSETS ARE AS FOLLOWS:

	Cost	Accumulated Amortization	March 31, 2009	March 31, 2008
Brilliant Dam				
Property, plant & equipment	\$ 120,508	\$ (23,654)	\$ 96,854	\$ 97,813
Land	2,544	-	2,544	2,509
Expansion rights	2,763	(108)	2,655	2,724
	<u>125,815</u>	<u>(23,762)</u>	<u>102,053</u>	<u>103,046</u>
Arrow Lakes Generating Station				
Property, plant & equipment	148,984	(21,767)	127,217	130,457
Power sales contract	11,376	(5,392)	5,984	6,943
Land	3,696	-	3,696	3,696
	<u>164,056</u>	<u>(27,159)</u>	<u>136,897</u>	<u>141,096</u>
Brilliant Expansion				
Property, plant & equipment	122,888	(3,297)	119,591	113,053
Expansion rights	10,463	(410)	10,053	10,315
	<u>133,351</u>	<u>(3,707)</u>	<u>129,644</u>	<u>123,368</u>
	<u><u>\$ 423,222</u></u>	<u><u>\$ (54,628)</u></u>	<u><u>\$ 368,594</u></u>	<u><u>\$ 367,510</u></u>

NET POWER PROJECT INCOME CONSISTS OF:

	March 31, 2009	March 31, 2008
Revenues:		
Sale of power	\$ 44,739	\$ 39,591
ecol/energy grants	2,416	-
Insurance recovery	-	4,292
	<u>47,155</u>	<u>43,883</u>
Expenses:		
Finance charges	(8,142)	(8,420)
Operation of powerplants	(11,147)	(9,667)
Channel repair costs	(92)	(417)
Amortization of powerplant assets	(8,883)	(7,798)
	<u>(28,264)</u>	<u>(26,302)</u>
	<u><u>\$ 18,891</u></u>	<u><u>\$ 17,581</u></u>

CBT and CPC have entered into a contribution agreement with the Government of Canada to receive ecol/ENERGY power grants for a period of ten years. The grants are earned at the rate of \$10 per megawatt hour and are based on sales of eligible energy generated by the Brilliant Expansion. The Brilliant Expansion is expected to produce adequate power over the ten year period of the contribution agreement to receive the maximum entitlement of \$4.7 million per year. CBT's portion is \$2.4 million per year.

7. PRIVATE PLACEMENTS

Private placements consist of real estate and business loans. CBT's interest in private placements is as follows:

	March 31, 2009	March 31, 2008
Real estate	\$ 37,757	\$ 33,147
Business loans	<u>17,273</u>	<u>10,655</u>
	<u><u>\$ 55,030</u></u>	<u><u>\$ 43,802</u></u>

Real Estate

CBT's interest in seniors' care facilities is as follows:

	Land	Building	March 31, 2009	March 31, 2008
Operating facilities	\$ 2,063	\$ 33,363	\$ 35,426	\$ 32,698
Projects under development	-	5,725	5,725	2,764
Less: Accumulated amortization	<u>2,063</u>	<u>(3,394)</u>	<u>(3,394)</u>	<u>(2,315)</u>
	<u><u>\$ 35,694</u></u>	<u><u>\$ 37,757</u></u>	<u><u>\$ 33,147</u></u>	

Projects under development consist of two new seniors' care facilities. The construction of Mountain Side Village located in Fruitvale, BC was substantially completed in the spring of 2009. This facility includes 53 fully occupied living suites and is currently awaiting completion of final landscaping. The construction of Lake View Village located in Nelson, BC consists of 90 living suites and is scheduled to be complete and occupied in the fall of 2009.

Business Loans

CBT provides business loans that are generally secured by real estate and have terms extending no further than fifteen years. A portion of these loans are made in partnership with other lending organizations, with the remainder of the loans made directly by CBT.

	March 31, 2009	March 31, 2008
Business loans	\$ 17,362	\$ 10,744
Less: Loan loss allowance	<u>(89)</u>	<u>(89)</u>
	<u><u>\$ 17,273</u></u>	<u><u>\$ 10,655</u></u>

Maturity Terms

	Under 1 Year	1 to 5 Years	5 to 10 Years	10 to 15 Years	2009 Total
Business loans	\$ 8,713	\$ 6,999	\$ 1,450	\$ 200	\$ 17,362
Less: Loan loss allowance				<u>(89)</u>	<u><u>\$ 17,273</u></u>

CONSOLIDATED FINANCIAL STATEMENTS

8. INCOME SECURITIES

CBT's interest in income securities is as follows:

	March 31, 2009	March 31, 2008
Unrestricted		
Term securities	\$ 29,903	\$ 38,855
Restricted		
Debt service reserve fund	3,934	3,964
Operating reserve fund	1,341	1,306
Power agreement account	1,285	1,258
	<u>\$ 36,463</u>	<u>\$ 45,383</u>

The Debt service reserve fund and the Operating reserve account are required under the terms of joint venture debt financing, which requires that cash or cash equivalents equal to one semi-annual payment on the Brilliant Dam Bonds and an amount equal to one-quarter of annual operating expenses be maintained. The power agreement account secures letters of credit issued to BC Hydro for development security under two power sales agreements. These funds are not available to CBT.

9. MARKET SECURITIES

CBT's interest in market securities is as follows:

	March 31, 2009	March 31, 2008
Market securities	<u>\$ 12,451</u>	<u>\$</u>

In July 2008, CBT invested \$15 million in a diversified securities portfolio which includes short-term deposits, bonds and equities. The portfolio is managed by BC Investment Management Corporation on behalf of CBT. Due to market fluctuations, the portfolio has declined in market value to \$12.4 million as at March 31, 2009.

MARKET SECURITIES INCOME

	March 31, 2009	March 31, 2008
Dividends/Interest	\$ 282	\$
Realized loss	(74)	\$
	<u>\$ 208</u>	<u>\$</u>

UNREALIZED LOSS ON MARKET SECURITIES

	March 31, 2009	March 31, 2008
Opening balance	\$	\$
Contributions	15,208	\$
Ending balance, March 31, 2009	15,208	\$
Market value, March 31, 2009	12,450	\$
Unrealized loss on market securities	2,758	\$

10. PROPERTY, PLANT & EQUIPMENT

CBT's interest in property, plant & equipment is as follows:

	Cost	Accumulated Amortization	March 31, 2009	March 31, 2008
Land	\$ 70	\$ -	\$ 70	\$ 70
Columbia Basin Building	3,180	(856)	2,324	2,097
Office furniture and equipment	612	(367)	245	188
Leasehold improvements	627	(457)	170	146
Computer equipment and software	1,457	(1,393)	64	48
	<u>\$ 5,946</u>	<u>\$ (3,073)</u>	<u>\$ 2,873</u>	<u>\$ 2,549</u>

11. DEFERRED AMOUNTS

CBT's interest in deferred amounts is as follows:

	March 31, 2009	March 31, 2008
Waneta expansion rights	\$ 12,700	\$ 12,700
Waneta deferred project costs	<u>\$ 16,539</u>	<u>\$ 12,008</u>
	<u>\$ 29,239</u>	<u>\$ 24,708</u>

The Waneta Expansion Project is a proposal to install an additional 335 MW power generation facility at the existing Waneta Dam which is owned by Teck Resources Ltd. The Province purchased the expansion rights for \$25.4 million in 1994 to undertake an expansion. CBT owns half of the hydroelectric power expansion rights. These rights include options to acquire lands near the Waneta Dam at no additional cost and the right to develop and operate a new hydroelectric facility. This Project is now in the advanced stages of pre-development work and is projected to take place over a four year period with the fall of 2009 being the earliest expected construction date for the project.

The deferral of power project costs is based on management's judgement of anticipated future events. A number of significant estimates and qualitative factors have been considered by management in determining the viability of each project. Changes in significant assumptions underlying the future cash flow estimates of the project have a material effect on its economic viability.

	March 31, 2009	March 31, 2008
Waneta Deferred Project Costs:		
Project Design	\$ 4,472	\$ 2,523
Environmental Analysis	2,412	2,306
Socioeconomic Analysis	238	219
Finance/Legal Analysis	1,296	978
CPC/CBT Management	<u>\$ 8,121</u>	<u>\$ 5,982</u>
	<u>\$ 16,539</u>	<u>\$ 12,008</u>

CONSOLIDATED FINANCIAL STATEMENTS

12. LONG-TERM DEBT

	March 31, 2009	March 31, 2008
Power project debt:		
Brilliant Dam bonds Series "A", "B", and "C", interest rates varying between 5.67% and 8.93%, maturing May 2026	\$ 74,906	\$ 76,923
Arrow Lakes bonds Series "A", bearing interest at 5.39%, maturing March 2015	31,442	35,441
Real estate debt:		
Mortgage loans, interest rates varying between 5.1% and 6.1%, maturing on different dates between November 2009 and August 2013	28,670	25,216
Loan from Columbia Power Corporation	<u>15,268</u>	<u>6,104</u>
	150,286	145,684
Less: Deferred debt issue costs	(2,458)	(2,767)
Less: Current portion of long-term debt	<u>(22,331)</u>	<u>(12,671)</u>
	<u>\$ 125,497</u>	<u>\$ 128,246</u>

(a) Brilliant Dam and Arrow Lakes Bonds

The Series "A" bonds bear interest at 8.93%, Series "B" bonds bear interest at 6.86%, and the Series "C" bonds bear interest at 5.67%. The Brilliant Dam bonds are redeemable by CBT in whole or in part at any time before May 31, 2026 at a price equal to the greater of the principal amount then outstanding, or a price calculated to provide a yield to maturity based on the current yield of a matching duration Government of Canada bond plus 0.30%, 0.31% and 0.23%, respectively. The bonds are secured on a limited recourse basis by charges against the Brilliant Dam assets and revenues.

The Arrow Lakes bonds are redeemable in whole or in part at any time before March 31, 2015 at a price equal to the greater of the principal amount then outstanding, or a price calculated to provide a yield to maturity based on the current yield of a matching duration Government of Canada bond plus 0.23%. The bonds are secured on a limited recourse basis by charges against the Arrow Lakes Generating Station assets and revenues.

(b) Real Estate Debt

The purpose of the mortgage loans was to provide financing for the acquisition of land and the construction of seniors' care facilities. The loans are repayable in equal monthly payments of principal and interest amortized over 25 years and are secured by first, fixed and floating charges over all the assets of the seniors' care facilities.

(c) Loan from Columbia Power Corporation

During the year, CPC advanced \$8.9 million (fiscal 2008 - \$5.9 million) in cash to the Brilliant Expansion Power Corporation (BEPC), a jointly owned corporation, to assist with the payment of a settlement to the contractor and to allow equity to be transferred from BEPC to another jointly owned corporation. The advance includes \$277 thousand (fiscal 2008 - \$178 thousand) of accrued interest at March 31, 2009.

Interest accrues at the same rate as applied to CPC for other short term borrowings from the Province of British Columbia. The loan, including accrued interest, is payable on demand. However, CPC will endeavour to provide reasonable notice to BEPC before making demand for repayment of the loan.

(d) Guarantees by joint venturers

The joint venturers of the Columbia Village and Creston Village joint ventures are jointly and severally liable for the full amount of the joint venture mortgages. The joint venturers of the Castle Wood Village, Garden View Village, Creston Village Expansion, Rocky Mountain Village, Joseph Creek Village, Lake View Village, and Mountain Side Village joint ventures gave separate guarantees for 50% of the original mortgage proceeds.

(e) Principal repayments

Scheduled principal repayments are estimated as follows:

2010	\$ 22,332
2011	7,474
2012	7,932
2013	8,425
2014	8,946
Thereafter	<u>95,177</u>
	<u>\$ 150,286</u>

13. PRIVATE PLACEMENTS INCOME

	March 31, 2009	March 31, 2008
Real estate		
Revenues	\$ 2,939	\$ 2,462
Finance charges	(1,403)	(1,214)
Amortization	(1,107)	(918)
	429	330
Business loans		
	1,049	1,510
	<u>\$ 1,478</u>	<u>\$ 1,840</u>

14. NON-REOURSE CREDIT FACILITY

Consistent with its agreements with its Bondholders, Brilliant Power Corporation (BPC) has established a \$10 million credit facility. The facility shares the same security as the Bondholders. The facility was deactivated on April 1, 2005. Subject to an annual credit review the facility continues to be available.

15. COMMITMENTS

(a) Power Project Debt

Under its agreements with its Bondholders, Arrow Lakes Power Corporation (ALPC) and BPC have committed to keep the Arrow Lakes Generating Station and the Brilliant Dam in good operating condition and to affect all necessary repairs and replacements to the Arrow Lakes Generating Station and the Brilliant Dam to maintain the Brilliant Dam entitlement in a manner that is consistent with good industry practice.

CONSOLIDATED FINANCIAL STATEMENTS

(b) CBT Office

CBT has entered into operating lease agreements for its office space with terms expiring at various dates in the future.

(c) Brilliant Expansion

The project approval certificate issued for the Brilliant Expansion by the BC Environmental Assessment Office contains a number of commitments during pre-construction, construction, post-construction and operations phases which are being actively managed by CBT and CPC.

16. CONTINGENCIES

CBT's power project operations and investment activities are affected by federal, provincial and local government laws and regulations. Under current regulations, CBT is required to meet performance standards to minimize or mitigate negative impacts of proposed projects. Furthermore, CBT's agreements with its Bondholders require compliance in all material respects with such laws and regulations. The impact, if any, of future legislative or regulatory requirements on specific projects and financing covenants cannot currently be estimated.

CBT is contingently liable as a guarantor of its co-venturers' portions of certain real estate joint venture debt. As at March 31, 2009 the balance of the co-venturers' portion of the debt was \$5.6 million (fiscal 2008 - \$5.7 million).

In May 2009, CBT was named in a legal claim initiated by an outside party. In consultation with legal counsel, CBT management believes that CBT was incorrectly named as a party to this action. CBT has received confirmation from legal counsel that Notices of Discontinuance of the actions against CBT will be filed. Accordingly, no provision has been made.

17. NET ASSETS

Power project investment capital is restricted by the Province's condition that its \$276 million power project contribution is to be used to finance the equity requirements of power projects.

18. RELATED PARTY TRANSACTIONS

(a) Columbia Power Corporation

CBT has entered into a contract for the provision of information systems servicing and support to CPC. During fiscal 2009, CPC paid \$382,000 (fiscal 2008 - \$368,000) under this agreement.

CPC rents a portion of the Columbia Basin Building which is owned by CBT. During fiscal 2009, CPC paid \$140,000 (fiscal 2008 - \$125,000) under this lease.

CPC advanced \$8.9 million (fiscal 2008 - \$5.9 million) in cash to the Brilliant Expansion Power Corporation, a jointly owned corporation, to assist with the payment of a settlement to the contractor and to allow equity to be transferred from Brilliant Expansion to another jointly owned corporation.

(b) Power Project Joint Ventures

Under the terms of their joint venture agreements, CBT and CPC charge the joint ventures for management services. The amounts charged include staff compensation and general overhead costs attributable to joint venture activities (CBT's share is 50%).

	March 31, 2009	March 31, 2008
(i) Payments to CPC	\$ 7,666	\$ 6,603
(ii) Payments to CBT	\$ 282	\$ 220

The joint venturers also paid \$254,000 (fiscal 2008 - \$670,000) to BC Hydro and Power Authority and \$87,000 (fiscal 2008 - \$75,000) to BC Transmission Authority, both for project consulting services provided at market rates.

19. DELIVERY OF BENEFITS

In addition to disbursing \$9.0 million in 2008/09, CBT has an additional \$2.2 million in outstanding financial commitments through delivery of benefits programs at March 31, 2009. These commitments have been approved and have either not yet been disbursed, or are linked to actual project completion with a portion of funds held back until CBT is satisfied that projects are complete.

CBT has also entered into a number of multi-year commitments for program delivery over the next two years. As at March 31, 2009, CBT has \$4.2 million committed for 2009/10 funding and \$3.7 million for 2010/11 funding.

20. FINANCIAL INSTRUMENTS

(a) Designation and valuation of Financial Instruments

The carrying values of CBT's financial instruments compared to their fair values are as follows:

The fair values of cash, accrued interest and other assets, and accounts payable and accrued liabilities approximate their carrying values due to the short term maturity of these instruments.

The fair values of income securities and market securities is determined by using quoted market values.

Business loans are measured at their outstanding principle amounts on an amortized cost basis. The fair value of business loans is determined by reducing the carrying amount of the loan to its estimated realizable amount.

Long-term debt is measured at amortized cost using the effective interest method. Fair values approximate their carrying value since their interest rates are comparable to market rates.

(b) Risks

Exposure to interest rate risk, credit risk, liquidity risk and market risk occur in the normal course of CBT's operations.

Interest rate risk

CBT's long-term liabilities bear interest at fixed rates and cash, incomes securities and business loans are subject to variable interest rates. CBT is not exposed to significant interest rate risk for current liabilities due to the short-term nature of its current liabilities.

CONSOLIDATED FINANCIAL STATEMENTS

Credit risk

CBT extends credit within its business loans. An assessment of the credit worthiness of a borrower is carried out prior to the placement of a business loan which mitigates CBT's risk. CBT's exposure to credit risk is as indicated by the carrying amount of its business loans.

Liquidity risk

CBT monitors and maintains its liquidity to ensure sufficient capacity to repay its financial liabilities when they become due. CBT considers that it has sufficient liquidity to meet its financial obligations.

Market risk

CBT is exposed to interest rate risk on its fixed-interest and variable-interest financial instruments. Fixed-interest instruments subject CBT to a fair value risk while the variable-interest instruments subject it to a cash flow risk.

21. CAPITAL MANAGEMENT

CBT's capital management objectives are to generate a predictable, sustainable and appreciating income stream to fund Delivery of Benefits obligations and to maintain CBT's ability to fund its operational needs. CBT's capital management is reviewed annually to ensure sufficient funds are available to meet its financial obligations and operational needs.

CBT's capital consists of net assets plus total debt.

	March 31, 2009	March 31, 2008
Total debt	\$ 147,828	\$ 140,917
Net Assets	375,987	367,731
Total	\$ 523,815	\$ 508,648

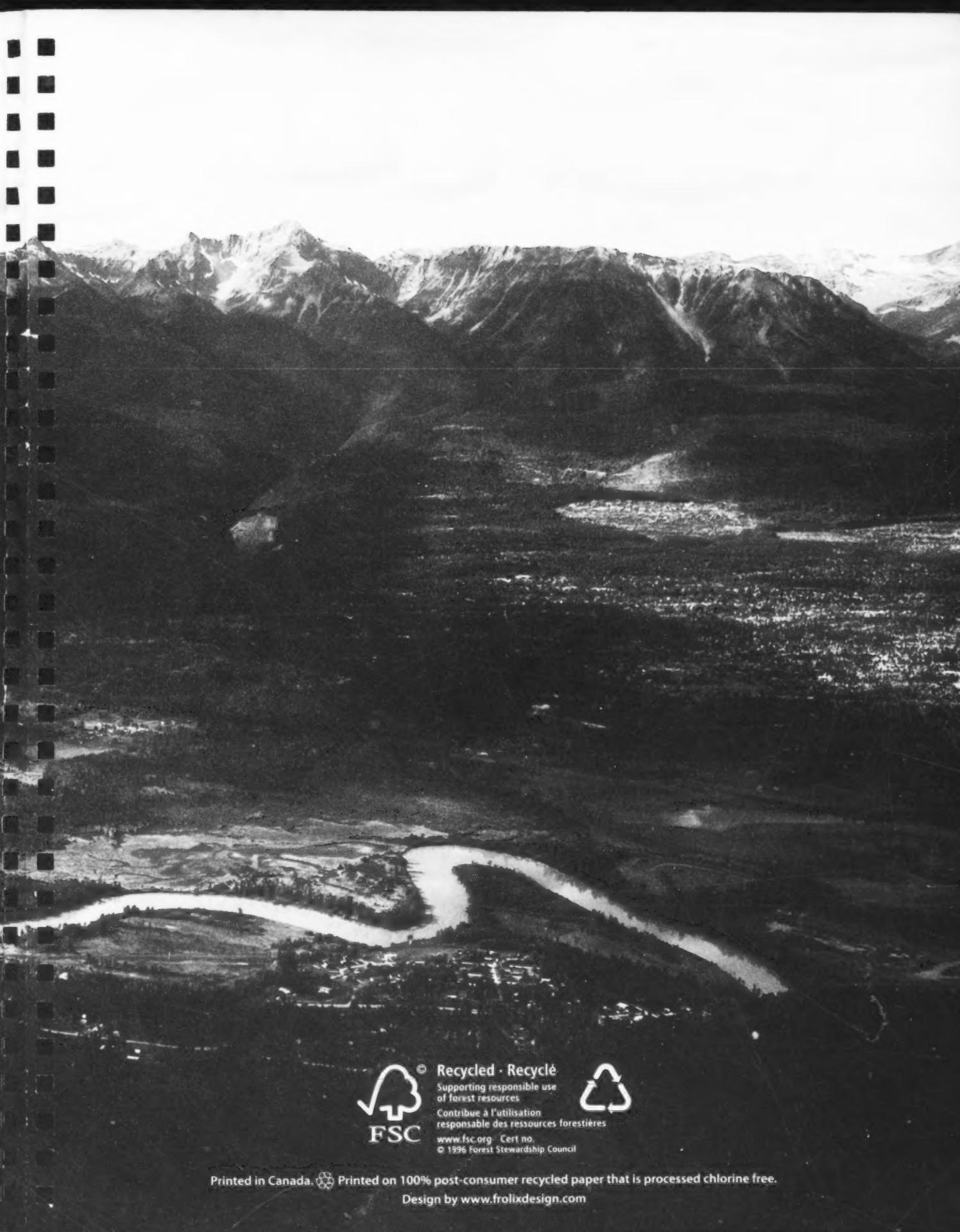
22. PRIOR PERIOD ADJUSTMENT

CBT's financial statements have been restated to correct a 2007/08 error in Brilliant Expansion Power Corporation. A portion of the water rental expense recorded in 2007/08 was incorrectly stated as it related to 2008/09. This expense is netted in power project revenues. A receivable related to the water rental expense was also not recorded in 2007/08. CBT's consolidated financial statements have been restated to reflect these changes as follows:

	March 31, 2008
Accrued interest and other assets	\$ 205
Water rental expense netted in power project revenues	\$ (205)

23. COMPARATIVE FIGURES

Certain 2008 comparative figures have been reclassified to conform to the current year's presentation.



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